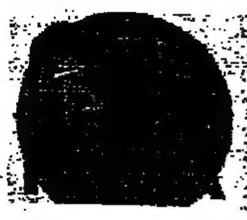
Latin America
Slow expansion for Nafta
Page 4



Client-server networks
IBM's new lease of life for the mainframe
Page 14

Lancer Boss
How trouble in Germany undid a UK manufacturer
Page 9

Slovenia
A success story in former Yugoslavia
Survey, Page 29

FINANCIAL TIMES

Europe's Business Newspaper — TUESDAY APRIL 12 1994 — D8523A

Leading bankers draw up new code on derivatives

A new framework for the disclosure to regulators of credit risk in the derivatives markets is to be produced by a group of leading bankers. The framework, which should be finalised within two months, will require banks and securities houses to break down their exposure in the derivatives markets by counterparty and by type of instrument. The growth of derivatives products, such as futures and options, has caused concern that banks may not be fully aware of the risks involved. Page 19

Lancer Boss: The receiver of the last large UK-owned producer of lift trucks warned that efforts to sell the group as a going concern could be delayed if he cannot get control of the company's important German operations. Page 9; Receiver hopes for amicable German link, Page 9

Algerian prime minister replaced: Algerian president Liamine Zeroual, seeking to resolve a feud with Islamic militants, replaced his hardline prime minister with a moderate. Page 18

Argentina's Peronists win fifth poll

Argentina's President Carlos Menem (left) appeared to have secured his ambition to run for a second term in 1995 after the Peronist party won its fifth consecutive electoral victory, in spite of a slip in its support. The Peronists took 38 per cent of the votes in a poll to elect an assembly that will rewrite the country's constitution, which bans presidents from succeeding themselves. Page 4

Uruguay Round signing: The Uruguay Round trade agreement will protect the least developed countries from the "law of the jungle", said Gatt director-general Peter Sutherland ahead of its formal signing this week. Page 18

Ukrainian vote may delay reform: Ukrainian elections have produced a divided parliament – a result likely to further delay reform of the country's plunging economy and of its fractured politics. Page 2

Japanese coalition meets: Leaders of Japan's divided seven-party coalition plan to meet today in another attempt to resolve the deadlock over a successor to Morihiro Hosokawa as prime minister. Page 6; Japanese factions target LDP, Page 6; Editorial Comment, Page 17

Accor, French travel group, and Forte, UK hotels group, are vying for control of the Meridien Hotels chain, owned by Air France, the loss-making state-owned airline. Page 19

US to sell fighter jets to Israel: The Clinton administration notified Congress that it plans to sell 25 advanced McDonnell Douglas F-15I fighter jets to Israel for $2.4 bn, five more jets than announced by Israel in January.

Attack by Greek guerrilla group: Greece's left-wing guerrilla group November 17 hit US and Dutch insurance firms in Athens in separate attacks with anti-tank rockets, but failed to hit British aircraft carrier Ark Royal.

Congress faces hectic schedule: The US Congress returned to Washington from a two-week recess, with healthcare, crime and welfare reform likely to dominate debate. Page 4

Commerzbank announced an increase of "around a quarter" in 1993 operating profits, and released plans for a DM400m ($233m) capital increase and the issue of up to DM2bn of convertible bonds and profit-sharing certificates. Page 17

Saddam releases Romanians: Iraqi leader Saddam Hussein pardoned four Romanians convicted of illegally entering Iraq in 1992 in response to a plea from Romania's president Ion Iliescu.

Hong Kong insider dealing hearing: The Hong Kong government's insider dealing tribunal plans to hold its first hearing at the end of April. The hearing will cover alleged insider dealing in the trading of shares in a local property firm.

Pope cancels Lebanon visit: Pope John Paul postponed indefinitely his visit to Lebanon in May, his first trip to the Middle East, because of a surge of violence, the Vatican said.

China executes fraudster: Chinese businessman Shen Taifu, 39, was executed for his role in a pyramid-style company that took one billion yuan ($114m) from small investors.

STOCK MARKET INDICES

FT-SE 100:	3,149.4	(+28.6)
Yield	3.86	
FT-SE Eurotrack 100	1,479.07	(+17.99)
FT-SE-A All-Share	1,587.25	(+0.8%)
Nikkei	19,898.88	(-36.91)
New York: lunchtime		
Dow Jones Ind Ave	3,693.89	(+19.63)
S&P Composite	449.49	(+2.39)

US LUNCHTIME RATES

Federal Funds:	$3\frac{1}{2}$%
3-mo Treas Bills: Yld	3.63%
Long Bond	$87\frac{12}{32}$
Yield	7.273%

LONDON MONEY

3-mo Interbank	$5\frac{3}{16}$%	(same)
Liffe long gilt future:	Jun $108\frac{1}{32}$	(Jun $107\frac{5}{32}$)

NORTH SEA OIL (Argus)

Brent 15-day (May)	$14.70	(14.32)

Gold

New York Comex (Jun)	$379.9	(386.3)
London	$380.75	(385.2)

STERLING

New York lunchtime:		
$	1.469	
London:		
$	1.4737	(1.4745)
DM	2.517	(2.5265)
FFr	8.6212	(8.6554)
SFr	2.1202	(2.1293)
Y	152.27	(155.132)
£ Index	79.7	(80.0)

DOLLAR

New York lunchtime:		
DM	1.7135	
FFr	5.87175	
SFr	1.4435	
Y	103.35	
London:		
DM	1.708	(1.7134)
FFr	5.85	(5.87)
SFr	1.4387	(1.4441)
Y	103.325	(105.21)
$ Index	66.3	(66.6)

Tokyo close Y 104.48

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft165	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lw26.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	SK50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.60	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Finland	FM14	Jordan	JD1.50	Philippines	Peso50	Syria	S£50.00
France	FFr9.00	Kuwait	Fils.625	Poland	Zl 32,000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US$1.50	Portugal	Es225	Turkey	L13000
						UAE	Dh12.00

Moscow's foreign minister criticises UN air strikes as Serbs ease shelling of Gorazde

Nato raids strain links with Russia

By Edward Mortimer and Laura Silber in Sarajevo and David White in Madrid

The Serbs continued sporadic firing on the enclave of Gorazde yesterday after a second Nato air strike that brought fresh strains to relations between Russia and the west.

UN officials said the bombardment of Gorazde eased, but not did not stop entirely. The attackers' fire continued for at least two hours after the strike, which destroyed a Serbian tank. One shell fell within yards of the local headquarters of the United Nations High Commission for Refugees.

President Bill Clinton called the latest air strikes "entirely appropriate", while his envoy to the UN, Ms Madeleine Albright, said air power might now be used to protect other besieged towns in Bosnia.

Mr Clinton called on the Serbs to stop shelling, withdraw from their positions in the outskirts of Gorazde and return to the negotiating table. He insisted the air raids had followed decisions by the Security Council.

He pledged to keep in touch with the Russian government, which has complained bitterly about being excluded from UN policy in Bosnia. He told reporters: "They have a critical role to play if we are going to get those peace talks going again, and I hope we can."

However, Mr Andrei Kozyrev, the Russian foreign minister, said in Madrid that it had been a "big mistake" to launch air attacks on the Serbs without consulting Moscow. He called the decision to launch raids a hasty one that had failed to take account of all the consequences.

Mr Radovan Karadzic, the Bosnian Serb leader, yesterday refused to meet Mr Charles Redman, the US negotiator, in Sarajevo. The Serbs also blocked traffic in and out of the city and virtually broke off relations with the UN.

They said that henceforth Serbs would deal with the UN only through Mr Vitaly Churkin, the Russian special envoy, who yesterday travelled from Belgrade to Pale, the Bosnian Serb stronghold above Sarajevo, for talks to ease the crisis.

In yesterday's action, two US F18s dropped three bombs and destroyed one Bosnian Serb tank, which had fired directly at the town ignoring warning passes by the aircraft and flares.

Hinting at possible direct Serbian intervention in the war in Bosnia, a senior Yugoslav army

Continued on Page 18
Bosnian Serbs choose hard option, Page 3
Editorial Comment, Page 17

Zhirinovsky calls for retaliation after bombing of Serbs

Russian nationalist leader Vladimir Zhirinovsky yesterday called on Russia to bomb Nato bases in Italy in response to the air strikes on Gorazde. "They bomb one town, we bomb another town," he said in Strasbourg, immediately before railing against the West in a speech to the 32-nation Council of Europe, which promotes human rights and democracy.

On his way to the meeting, Mr Zhirinovsky, the leader of Russia's Liberal Democratic party, hurled stones and spat at a group of Jewish students protesting against anti-Semitism. Mr Zhirinovsky said he would "break their heads". Report, Page 3

Oil groups to develop fields in Russian Arctic

By Robert Corzine in London and Karen Fossli in Oslo

Four western companies yesterday announced an ambitious plan to develop oil reserves in the Russian Arctic which they "conservatively" estimate at 2bn barrels. They said the project, one of the largest ever in Russia, could last for 50 years and cost tens of billions of dollars.

Texaco, Exxon and Amoco of the US and Norway's Norsk Hydro said they planned to assess and possibly develop as many as 11 proven oil fields in 2,847 square miles of the remote Timan Pechora basin, which lies wholly within the Arctic Circle, some 1,100 miles north-east of Moscow.

Unlike many western projects in Russia and other oil regions of the former Soviet Union, the Timan Pechora plans envisage the construction of a dedicated export terminal. This would prevent the bottlenecks which have beset other projects.

Texaco, which has been studying the area since 1990, said its "conservative" estimates put recoverable reserves in the area covered by the consortium's contract at 2bn barrels. Russian estimates place reserves at 5bn barrels, but much of the area remains unexplored.

Mr Peter Bijur, Texaco's senior vice-president, said the project was "an enormous opportunity . . . and one of the most challenging and attractive hydrocarbon development prospects in the world today."

He would not be drawn on the eventual production rates from the area, but predicted that initial output of 120,000 barrels a day could be achieved by 2000. That is equivalent to production of some of the larger North Sea fields.

Some consultants believe exports from this and a Conoco project being considered in the Timan Pechora basin could reach 400,000-600,000 b/d in the first decade of the next century.

The Timan Pechora company, in which Texaco and Exxon each holds 30 per cent and Amoco and Norsk Hydro 20 per cent each, will spend $100m on a three-year assessment phase. Mr Bijur said the consortium's partners were chosen in part because of their Arctic experience.

The consortium hopes to gain final approval of a production-sharing agreement from the Russian government by this autumn so that more extensive seismic and appraisal activities could begin in the winter. Mr Bijur said the consortium was also seeking the approval of the Russian parliament because of the political controversy in Russia over western oil deals.

Ice packs form a useful buffer, Page 19

Reuter

Israel to miss troop pull-out deadline

An Israeli paratrooper confronts an elderly Palestinian during yesterday's attempted march to the Ibrahimi mosque, scene of the Hebron massacre in February when 29 worshippers were killed by a Jewish settler. About 300 Palestinians took part in the demonstration which came as Israel said it would not be able to meet tomorrow's deadline for completion of its military withdrawal from the Gaza Strip and West Bank town of Jericho. It blamed the PLO for delaying the peace process and the implementation of Palestinian self-rule. Report, Page 18

Air France wins staff support for rescue package

by John Ridding in Paris

Air France workers voted overwhelmingly yesterday in favour of a rescue package, securing an important victory for Mr Christian Blanc, the chairman, in his attempt to reform the state-owned carrier.

Air France said a referendum of the company's 40,000 staff produced 81 per cent in favour of the package. More than 80 per cent of employees voted.

Acceptance of the plan will clear the way for an injection of FFr20bn ($3.43bn) state capital over the next three years. The capital increase is necessary to reduce debts of about FFr38bn at the airline and to curb losses estimated at FFr7.5bn last year. But the plan requires approval from the European Commission and is likely to face resistance from Air France's competitors, including British Airways.

Mr Blanc, who took over as chairman last October, had threatened to resign if he did not receive a "clear and massive" response in favour of his plan to cut 5,000 jobs, freeze wages and increase productivity by 30 per cent. He appealed directly to staff following the refusal of eight of the airline's 14 unions to sign his recovery plan.

The vote in favour of the restructuring plan will come as a relief to the French government, which was forced into a humiliating climbdown last October when it withdrew a previous restructuring plan. The scrapping of the plan, in the face of a wave of strikes, forced the resignation of Mr Bernard Attali, the previous chairman, and set a precedent for government concessions to opponents of reform.

Mr Bernard Bosson, the transport minister, described the plan as an endorsement of the government's method of consultation. He saw no reason why Brussels should oppose the plan, adding that the proposed state aid represented only half the company's debts. The result represents a blow to unions at the airline which had rejected Mr Blanc's proposals.

"We continue to oppose the plan" said an official at the communist Confédération Générale du Travail, the second largest union at Air France. He said the

Continued on Page 18

Portugal seeks to draw small investor into privatisations

By Peter Wise in Lisbon

Portugal announced measures to promote "popular capitalism" and draw small investors into the country's privatisation programme yesterday.

Mr Eduardo Catroga, finance minister, said the government planned to sell shares in state-owned companies to small savers more cheaply than to companies or institutional investors. The move is aimed at bringing greater liquidity to the Portuguese bourse.

In a related move, designed to enhance the competitiveness of its banking system, Portugal is to cut compulsory cash reserves for commercial banks from 17 per cent to below 3 per cent of selected liabilities.

The move, announced by the central bank, applies to reserves levied on the banks' total deposits and treasury bills, excluding their offshore deposits, and is likely to take effect before the end of this month.

The estimated Es2,000bn ($11.5bn) of banking liquidity that will be released will be absorbed by an issue of special central bank bonds, in the hope of preventing a sharp fall in short-term interest rates.

A Lisbon banker said: "The central bank is being careful to ensure that there will be little impact either on liquidity or interest rates, otherwise the changes would blow the whole interest rate system out of the water."

Mr Catroga said that in privatising companies considered strategic to the economy, the state would maintain a majority of the capital or a "golden share", giving it veto rights over company decisions.

Leading privatisations planned for 1994 and 1995 include the sale of minority stakes in Cimpor, a cement producer, Electricidade de Portugal, a power producer and distributor, and Portugal Telecom, a telecommunications operator.

"In the case of Cimpor, telecommunications and EDP it is out of the question the state could lose control", Mr Catroga said.

Portugal's centre-right government has said it plans to sell up to 30 per cent of BFE, the trade bank.

"The state must still retain a strong position in the financial system, but this does not mean that we cannot disperse the capital of one or two companies such as Banco de Fomento, BNU or Fidelidade", Mr Catroga said.

CONTENTS

 No 32,339 Week No 15

LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

Ukrainian vote brings reform no closer

Elections have failed to resolve the crisis, write **John Lloyd and Jill Barshay**

Ukrainian elections have produced a parliament torn between left-wing pro-Russian forces, a smaller group of nationalist parties and a "swamp" of independent candidates – a result forecast to further delay reform of the country's plunging economy and of its fractured politics.

Communists, socialists and their Peasant party allies seem likely to be the strongest party bloc, last night claiming some 110 of the 337 seats where candidates have been announced after a second round of voting. Of the remaining seats in the 450-seat parliament, some have still to be announced while others failed to produce the qualifying number of votes and will require a third round of voting.

The centrist-reformist parties did very poorly, a bad sign for an economy in which reforms have been constantly delayed by lack of agreement in parliament. The Interregional Reform Bloc of Mr Leonid Kuchma, the former prime minister who tried to make the case for economic transformation, has only four seats so far.

To further deepen the crisis, voters in the Crimean peninsula – where the dominant ethnic Russians are calling for semi-independence from Ukraine – returned a local assembly dominated by pro-Russian and Communist deputies. The "Russia Bloc" took 54 of the 94 declared seats, with Communists taking another 15, both groups advocating much closer ties with Russia.

Mr Leonid Hrach, the Crimean Communist leader, said that "the Ukrainian people have called for the idea of communism", adding that the solution to Ukraine's problems was only possible by integrating its economy with other members of the Commonwealth of Independent States.

Mr Yuri Yekhanourov, the reformist-minded deputy economic minister, said yesterday "the new parliament will be unable to take any real decisions, and there will also be a battle between it and the local authorities. The results mean we will lose a further two years, and the economy will continue its decline".

The result, however, belied the predictions – some would say hopes – of President Leonid Kravchuk that the turnout would generally fail to reach the 50 per cent figure required to make each deputy's election legal. The overall average turnout was around 66 per cent, though the figure was lower in the capital, Kiev, with a number of constituencies reporting turnout in the 40 per cent band.

The only other bright spot was the return to parliament of several reform-minded figures. Besides Mr Kuchma, prominent deputies in the new parliament include Mr Victor Penzenik and Mr Volodymyr Lanovoi, both former deputy premiers and Mr Roman Shpek, the outgoing economics minister.

Nationalists who laid siege to parliament last autumn were claiming about 80 members and supporters last night Reuter

At the same time, those elected to parliament cannot, under present law, also serve in the government, reducing the field of ministerial talent in a country where able reformers are few.

The new parliament inherits a constitutional tangle which appears certain to set it at odds. Mr Kravchuk has said he will refuse to stand in presidential elections scheduled for June 26 unless a law cancelling the appointment of presidential representatives to the regions and giving full authority to the regional authorities, is itself cancelled. At the same time, the basic question of division of powers between the presidency and the parliament is unclear, while a new constitution is not even in preparation.

The nationalists, whose main force remains the Rukh grouping which draws its principal support from western Ukraine, yesterday claimed around 80 members and supporters in the parliament, though Rukh itself had only 21 members in the preliminary figures released by Interfax news agency last night. Mr Vyacheslav Chornovil, Rukh's leader, said yesterday that "economic collapse is giving an opening to extremists".

The numerical "victors" were, on last night's figures, the 167 deputies who claimed no party label – though some are close to the formal parties. The struggle for their allegiance will dominate the politics of the new parliament. Many are enterprise directors and officials likely to tend towards the pro-integration Communists in the hope that closer links with Russian and the other CIS economies boost trade and give them access to lower-priced energy.

The extreme nationalists, who in their furthest right manifestations openly espouse fascist and militaristic postures, gained a toehold in the new parliament. The Ukrainian Nationalist Congress won four seats and the UNA/UNSO bloc three. Mr Chornovil, who backs an unsteady strategy of moderating the nationalist message of his party, dissociated himself from them yesterday, saying they constituted one of the extremes which would neuter the parliament.

The first test will come on Thursday, at a meeting in Moscow of the CIS heads of state at which a new economic union will be discussed and Ukraine will be pressed to define its hitherto ambiguous stand on closer ties.

Two states exchange broadsides in navy row

By Jill Barshay in Kiev
and Leyla Boulton in Moscow

Russia and Ukraine yesterday traded accusations over the storming of a Russian-controlled naval base in Odessa. Moscow alleged Ukraine had used armed force and wounded servicemen in response to Ukraine's earlier accusations that Russia had stolen naval equipment at the weekend.

Ukrainian military authorities denied using force in the incident, which took place on Sunday night. They said that the troops had acted to detain three officers who had ordered Russian sailors to defy Ukrainian orders and sail a research ship out of Odessa.

According to the Russian reports, 120 Ukrainian soldiers stormed a Russian naval base in Odessa on Sunday night, opened fire and injured several servicemen and their families. Reports from Moscow also said that a second Russian-controlled base near Odessa was blockaded by 40 Ukrainian soldiers yesterday.

Ukraine's Defence Ministry called the Russian allegations over the use of force "a lie" designed to provoke "an armed conflict between Black Sea fleet servicemen, Odessa port officials, border guards and Ukraine's navy". Ukraine said it had only detained Russian officers who defied Ukrainian orders on Friday night, when the two navies narrowly avoided an armed clash near Odessa. Ukraine also strenuously denied surrounding the second Russian base.

The Russian government protested to Ukraine demanding the officers' immediate release. Prime Minister Victor Chernomyrdin spoke to Ukraine's President Leonid Kravchuk by telephone, but details of their discussion were not released.

The heated confrontation was the latest and most serious in two years of disputes when the fleet was put under Russian-Ukrainian joint command following the break-up of the Soviet Union. The tensions have arisen over property rights and allegiance between the Ukrainian military and the largely Russian-controlled and financed fleet.

The conflict began on Friday night when a Russian ship, the Cheleken, loaded $10m worth of naval navigational equipment at Odessa and sailed away toward its headquarters in Sevastopol, Crimea, despite objections by Ukrainian naval officials.

The Russian ship, part of the 300-vessel Black Sea fleet awkwardly shared between Russia and Ukraine, defied Ukrainian orders to remain in the port of Odessa. After Ukrainian border guards tried to block the ship, Russian sailors took a senior Ukrainian military officer hostage and cut tow ropes in the middle of the night to take to sea, a Ukrainian Defence Ministry spokesman said.

Ukraine is calling the seizure of equipment "an act of piracy" and is condemning the Russian officers for creating "a precedent of a sharp escalation of tensions which might have led to grave consequences". Russia says Ukraine's failure to pay its debts for the equipment, which needed maintenance, justified the move.

On Sunday night, Ukrainian special forces reportedly attacked an Odessa reserve naval yard of the Black Sea fleet and took control of its armoury. During the attack, bystanders were injured by flying glass and some Russian soldiers may have been beaten. Tensions had eased by yesterday afternoon although the rhetoric was stepped up.

Swedes enshrine right to know in their EU deal

By Hugh Carnegy
in Stockholm

Amid all the wrangles over voting rights, fishing rights and farm subsidies in the European Union's enlargement negotiations last month, a declaration by Sweden attached to its accession accord with Brussels passed almost unnoticed.

It asserted Sweden's right to continue to exercise a deeply entrenched policy of open government and freedom of information.

Such is the importance attached in Sweden to the principle of open government that Stockholm felt it necessary to include the declaration in its EU accession documents to reassure voters worried that joining the EU might erode citizens' right of access to state-held information.

The most celebrated example is the right all Swedes have to read the official correspondence of the prime minister – without delay.

"Actually, the way it works it is possible sometimes for a reporter to see some non-urgent letters before the minister," says Mr Göran Schäder, a senior official at the justice ministry.

Public officials are explicitly given the right to leak information as part of their rights to the freedom of expression. Early this year, most of the details of the 1994-95 budget were published in the national newspapers several days before Mrs Anne Wibble, the finance minister, presented them to parliament.

The country's first freedom of the press legislation was enacted in 1766. The current freedom of the press law which enshrines the principle of open government was passed in 1949 and is part of the written constitution.

All ministries and local authorities are obliged to keep a register of completed documents which citizens can freely peruse and have access to, like a public library.

There are, however, seven areas where the state may withhold information, ranging from state security, through currency policy and individual privacy to the protection of animals and plants, with restrictions up to 20 years.

Swedish officials and politicians of all parties boast that the policy of open government has ensured a virtual lack of public corruption. "It makes everyone aware that they are operating in the public eye," says Mr Schäder. "It encourages efficiency and the fair treatment of every case."

Some Swedes feel access is too open, especially information about private individuals that can be obtained by fellow citizens. Details of individual income taxes are publicly available, for example. There is also a campaign to make the possession of child pornography a crime.

In case European leaders may fret that their confidential musings in EU council meetings might suddenly pop up in publicly-available Swedish briefing papers, Mr Schäder points out that any threat of damage to foreign relations is a case for restricting information under the secrecy law.

"We have conducted foreign relations for centuries without this being a problem. I don't think anyone should feel that you can't tell Sweden something for fear of it suddenly appearing on the front page of the newspapers."

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EUROPEAN NEWS DIGEST

US urges Bonn to halt reactor

The US has asked Germany to reconsider plans to build a nuclear research reactor using bomb-grade highly enriched uranium, a step which it says would set back 10 years of efforts to prevent nuclear proliferation. The State Department has voiced its concern to the German government about the FRM-II neutron source reactor, to be built near Munich in Bavaria, for which licensing hearings are expected to begin next month. The US has also warned Germany that it will not supply HEU fuel for the reactor.

For the past 20 years the US has tried to persuade other countries to convert their research reactors, some of which, unlike normal power generation reactors, can only be run effectively on HEU, to switch to lower enrichment uranium. A similar advanced neutron source reactor planned in the US is now expected to use LEU after feasibility studies were carried out by the US government, but German officials said LEU would add considerably to the cost of the FRM-II plant.

Some German reactor operators have suggested Russia could be an alternative supplier of HEU, but German officials said such a radical step was not yet under consideration. But the willingness of European research reactors to co-operate with US non-proliferation goals has been stretched by the US Department of Energy's failure so far to fulfil its undertaking to take their spent fuel for disposal. An emergency solution to the spent fuel issue was expected to be completed by the end of March, but has been put off again until Friday. *George Graham, Washington*

Brussels optimism on trade

European Commission officials are hopeful that informal discussions can smooth over some of the disputes which have come to the fore during negotiations on the Uruguay Round of global trade reform and EU plans to develop European information highways. The optimism follows talks between European and US business leaders and officials in New York last week. A Brussels spokeswoman said the largest obstacles concerned standardisation, intellectual property rights and data protection, where the lack of harmonisation has led companies on both sides to complain of discrimination. EU officials are due to hold another round of discussions with US officials and possibly Japanese representatives again in the autumn. *Gillian Tett, Brussels*

Balladur's following fades

The French centre-right government of Mr Edouard Balladur suffered a 10 per cent decline in its popularity and support last month, according to a poll by the Louis Harris market research consultancy. At the end of March the government commanded the approval of just 41 per cent of the French public against 51 per cent a month earlier, according to the poll commissioned by Profession Politique magazine. The proportion of the electorate claiming to be dissatisfied with the government rose by 10 points to 54 per cent over the same period. The fall in support for Mr Balladur's policies follows his abandonment of plans to cut the minimum wage for young workers after violent protests from students and youths. It also reflects concern about the continuing pressures on the French economy. *Alice Rawsthorn, Paris*

Munich bans Kurdish rally

Munich's mayor yesterday banned a pro-Kurdish demonstration planned for today. The ban follows a rally last month in Germany which ended in battles between police and Kurds and protesters' self-immolation. Mayor Christian Ude said city authorities had "reliable information" that Kurdish militants seeking an independent homeland in Turkey planned to use the rally to stage acts of violence. The charges of violence were denied by Kurdish and German organisers. *Reuter, Munich*

Polish president's plea to west

Poland yesterday urged the US to play a more active role in central Europe. Speaking during a visit to Warsaw by Mr Strobe Talbott, US deputy Secretary of State, President Lech Walesa complained that the European Union and Nato were not expanding eastwards. "No great structural changes have been made and life cannot stand a vacuum," he said, implying that only Russia stood to gain from the west's cautious stance. Mr Talbott met Polish leaders to discuss the country's membership in the Partnership for Peace security programme. *Christopher Bobinski, Warsaw*

Gibraltar financial services

Gibraltar's financial services will adhere to UK standards following an agreement between the two governments. Gibraltar's Financial Services Commission, the industry regulator, will be appointed by and accountable to the British government, thereby enabling the UK to meet its EU responsibilities. It will operate independently of both governments.

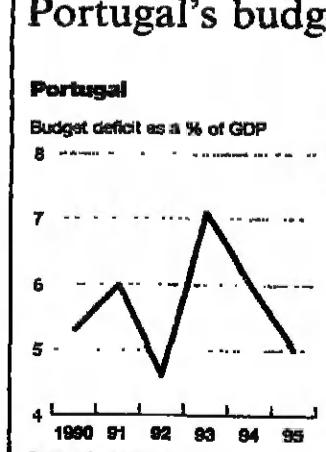
In an oblique reference to Spain, Mr Kenneth Clarke, the UK chancellor, promised Mr Joe Bossano, Gibraltar's chief minister, to "seek vigorously to ensure that other member states are equally clear" that the Gibraltar commission is a competent authority for EU purposes. Spain has expressed doubts about allowing a separate licensing authority in Gibraltar, which is part of the EU as a European territory for whose external relations the UK is responsible. *Joe Garcia, Gibraltar*

Ark Royal 'under fire'

A left-wing Greek terrorist organisation yesterday claimed it had fired a rocket at the British aircraft carrier Ark Royal while it was docked in Piraeus harbour for maintenance work. In a call to a radio station, the group also claimed responsibility for attacks on Sunday night on two foreign insurance companies in Athens. A search of the vessel revealed no evidence to back the terrorist group's claim. However, Greek police later found two 3.5in rockets and two plastic pipes, apparently intended as launchers, in a timber warehouse near where the ship was docked. *Kerin Hope, Athens*

ECONOMIC WATCH

Portugal's budget deficit plans



Source: Datastream

Portugal's 1995 budget is being drawn up with a planned primary deficit of about 5 per cent of gross domestic product, according to Mr Eduardo Catroga, the finance minister. This would represent a fall from a planned primary deficit of 6 per cent this year and a revised deficit of 7.1 per cent in 1992, he said. "The fundamental guideline of the 1995 budget is a continuation of the objective of budget consolidation," he said. He reiterated the centre-right government's determination to reach the budget deficit target set in its programme of economic convergence with the European Union.

■ Norway's consumer prices rose 0.5 per cent in March after a 0.4 per cent gain in February. The annual rate was 1 per cent. Wholesale prices rose 0.2 per cent in March after an 0.4 per cent rise in February. The annual rate was 0.7 per cent.

■ Russian weekly inflation rose to 2.2 per cent in the week from March 29 to April 5 from 1.8 per cent in the previous week, the government said. In the latest week, prices for consumer services rose 11.9 per cent while food prices rose 1.4 per cent.

Bosnian Serbs choose the hard option

By Edward Mortimer and Laura Silber

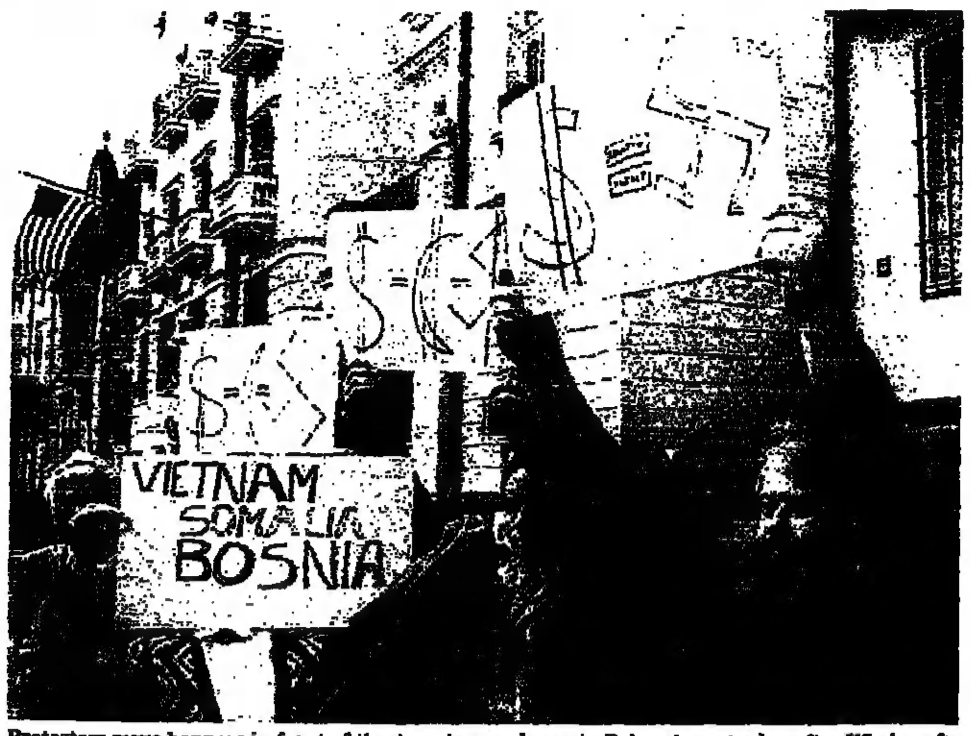
By stepping up their attacks on Gorazde in defiance of Nato air strikes, the Bosnian Serbs have chosen a course of confrontation with the most powerful states in the world.

Bosnian Serb forces yesterday sealed off Sarajevo from the outside world in an effort to show that they still controlled the destiny of the Bosnian capital.

Meanwhile, Serb leaders hailed the Nato intervention as yet another example of western betrayal and conspiracies against the Serbs.

If he allows them to stick to this collision course, their protector, President Slobodan Milosevic of Serbia, is in danger of finding himself backed into a corner.

On past performance, it is in just such a situation that he is liable to take the most unpredictable and destructive decisions.



Protesters wave banners in front of the American embassy in Belgrade yesterday after US aircraft bombed Bosnian Serb artillery positions near the Moslem-controlled town of Gorazde *Reuter*

His calculation may be based on the belief that he can back his own putative sponsor President Boris Yeltsin of Russia into a corner, obliging him to take Serbia's side against the western coalition, which since the end of the cold war has dominated the UN.

In previous crises in former Yugoslavia, such calculations have proved false, leaving Serb leaders disappointed and Mr Yeltsin a target of vitriolic abuse from Serbian political leaders and media.

This time Mr Milosevic appears convinced that he can get Russia on his side. In a bid to drive a wedge between Russia and the west, Serb leaders yesterday severed all relations with the UN, naming Mr Vitaly Churkin, Russia's special peace envoy, as the only channel of communication.

Even if his gamble fails, Mr Milosevic has the upper hand over his Bosnian Serb proteges, in that he has no particular stake in Gorazde.

Serbs appear to believe that he has fulfilled his pledge to stop the war at Serbia's frontiers.

At the same time, he has succeeded in carving out a Greater Serbia, in fact if not in name, through the creation of two sister republics on Bosnian and Croatian territory.

Whether one of these republics includes the pocket of Gorazde is of little or no consequence to most Serbs in Serbia proper.

They are tired of sanctions, imposed because of Belgrade's role in the violent partition of Bosnia, and indifferent to the map of the new post-war Bosnia. Mr Milosevic knows this and he wants to push for a deal in order to get sanctions lifted. By contrast, the self-styled "Serb Republic" covering some 70 per cent of Bosnian territory, has been carved out over two years of war.

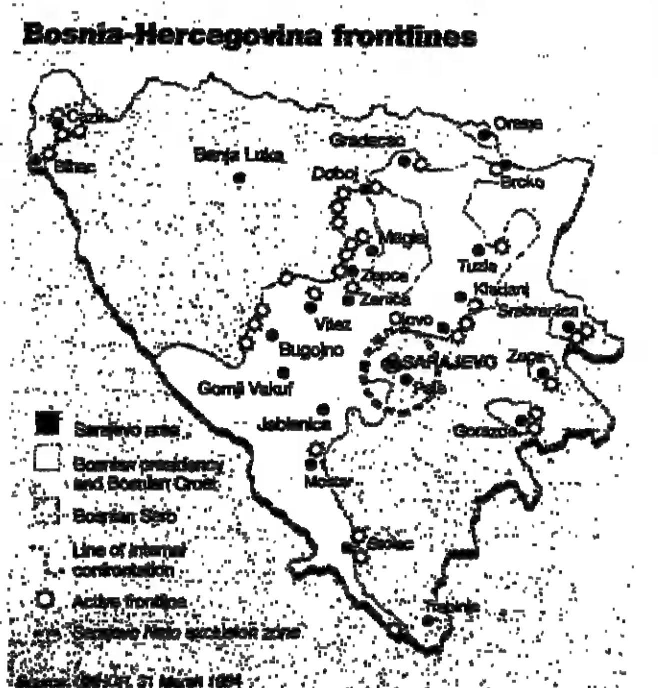
General Ratko Mladic, Bosnian Serb commander, has repeatedly rejected any proposal to hand back land, for which Serb fighters have fallen. The issue for the Serbs in Goradze is obviously not whether they would be willing to hand it back, since despite unremitting attacks, it is still under Bosnian government control.

But its continued existence as a Moslem enclave prevents the Serbs from consolidating their control over the whole of eastern Bosnia. Further, Bosnian government attacks from Gorazde have disrupted communications between Serb-held zones in the west and south, where a relatively narrow corridor separates the enclave from Sarajevo.

Bosnian Serb leaders cannot be divided into hawks and doves. They all agree that the war was an inevitable "defence against the Moslem threat". But the air strike has given fresh impetus to those leaders who have always argued that the UN was anti-Serb and may thus make it more difficult for Mr Radovan Karadzic, Bosnian Serb leader, to compromise with western demands for territorial concessions regardless of instructions from Mr Milosevic.

Mrs Biljan Plavsic, a Bosnian Serb leader, yesterday went so far as to proclaim the UN as the new aggressor against the Serb people.

Bosnia-Hercegovina frontlines



Russia says it should have been consulted over attack on Bosnian Serbs

Rift grows over UN action

By Bruce Clark

At the heart of one of the biggest diplomatic rifts between Russia and the west since the end of the cold war lies the question of how much power Mr Boutros Boutros Ghali, the UN secretary-general, has to act on his own.

Can he order military action without formally consulting the permanent members of the UN Security Council?

Western governments insist that legal and diplomatic procedures have been followed to the letter during the run-up to Nato's air strikes against the Bosnian Serbs.

The decision to recommend air attacks was taken by the UN commander in Bosnia, General Sir Michael Rose, who says he issued repeated warnings to the Serbs before making a move.

He passed on his proposal to Mr Yasushi Akashi, the Japanese diplomat who has been given wide-ranging authority as the secretary-general's representative in Bosnia.

Mr Akashi, after a telephone conversation with his boss in New York, then made a formal request for support to Nato, which has been mandated by Mr Boutros Ghali to provide air support for the international peacekeeping effort in Bosnia.

President Yeltsin maintains that Russia, as a permanent member of the Security Council, ought to have been consulted. If Moscow had been asked, it is very hard to imagine that it would have said Yes, even privately, because of the explosive political consequences at home.

Western governments have cited Security Council Resolution 836, which states: "Member states, acting nationally or through regional organisations, may take under the authority of the Security Council and subject to close co-ordination with the Secretary-General and Unprofor (the UN protection force in former Yugoslavia) all necessary measures, including the use of air power, in and around the safe areas of Bosnia-Hercegovina, to support Unprofor in the performance of its mandate..."

The phrase "authority of the Security Council" is open to interpretation. The resolution does not suggest Mr Boutros Ghali requires a fresh, explicit mandate to order air strikes; but Russia can still argue that the secretary-general has a standing obligation to consult with and take into account the views of the Council's permanent members.

Political pressure to relieve Gorazde mounted because of the plight of civilians there, and because the Serbs seemed to be making a mockery of the town's designation by the UN as a "safe area" for Moslems.

But the legal rationale for Gen Rose's request was not

Boutros Boutros Ghali: rejected claim that UN was siding with Moslems

concern for the enclave's 65,000 residents but the UN's right to protect its 11 military observers in and around the town.

That pretext is watertight, diplomats say, because there is little doubt that UN personnel in Gorazde were in physical danger as a result of the bombardment.

No suggestion has been made that the UN officers were targeted by the Serb attackers, but the level of artillery and small arms fire in central Gorazde on Sunday afternoon was so intense that nobody in the area was safe.

Yet there is an awkward discrepancy between the air raids' real political purpose – to end the siege of Gorazde and force the Serbs into a more reasonable stance at the negotiating table – and the legal grounds on which they were made.

As Russia will now argue, the UN's *de facto* role in Bosnia has been changed – from that of peace-broker and aid distributor to peace-enforcer, if not warring party – without any formal decision to make that momentous change.

Part of Russia's grievance lies in the fact that western governments have two separate inputs into Bosnian policy. The US, Britain and France are *makers* of UN policy as permanent members of the Security Council, and *executors* of that policy as participants of Nato – which has been invited by the secretary-general to play the role of "regional organisation", as referred to in Resolution 836.

For the western governments, there was was no danger of Mr Boutros Ghali acting "behind their backs" – because it was their firepower on which he was relying.

In practice there is no other organisation besides Nato with the military clout, and above all the co-ordinated structure, to police the skies of Bosnia. But the role of the Atlantic alliance leaves Russia out in the cold, and acts as a red rag to nationalist bulls such as Mr Vladimir Zhirinovsky.

Zhirinovsky fans the flames

By Our Foreign Staff

Of the Russian reactions to the Nato attacks, none was more extreme, nor more predictable, than that of the nationalist leader Mr Vladimir Zhirinovsky, who yesterday called on Russia to bomb Nato bases in Italy in response to the air strikes on Gorazde.

"They bomb one town, we bomb another town," he said, immediately ahead of a debate on the situation in the former Yugoslavia at the 32-nation Council of Europe, which promotes human rights and democracy.

Mr Zhirinovsky, the leader of the Liberal Democratic Party of Russia, said he favoured solving the issue of Yugoslavia by peaceful means, but insisted that Nato had initiated the aggression.

"It's against Russia, it's for more interests of Germany in the Balkans, of Nato in the Balkans, it's against the Orthodox, against the Slav people."

Well known for his vitriolic attacks and statements, Mr Zhirinovsky reinforced his image as an aggressor with an outburst on a group of protesters on his way to the meeting. Spitting and hurling stones at a group of Jewish students protesting against anti-Semitism, Mr Zhirovsky said he would "break their heads."

The man who has threatened to bomb the Kurile Islands and dump nuclear waste on the Baltics suggested to the protesters that he would use his "atomic pistol" on them.

Mr Zhirinovsky's visit, which has provoked some unease in France, was arranged as part of a wider visit by 18 delegates from different political groups in the Russian parliament.

The Council of Europe was yesterday at pains to point out that Mr Zhirinovsky was not invited explicitly by them to attend the conference on the former Yugoslavia. "It is not for us to choose who represents Russia – the Russians chose groups from across the political spectrum – that's parliamentary democracy," one official commented.

France has warned Mr Zhirinovsky he faces expulsion if he makes trouble. To show its displeasure at his presence in the official Russian delegation, Paris has told him he may only stay for the one week of the session and may not leave Strasbourg.

Crime laws head hectic US Congress schedule

By George Graham in Washington

The US Congress faces a hectic legislative schedule after returning to Washington yesterday *from a two-week recess*, with healthcare, crime, welfare reform and campaign finances likely to dominate debate in the coming weeks.

Crime legislation, of which one version has already passed the Senate, will be the immediate priority, with debate scheduled in the House of Representatives later this week.

But House leaders have not yet reached agreement on the exact contents of their version of the bill, which will roll together measures including proposals for mandatory life sentences for a third violent offence. Gun control and death penalty components of the bill are likely to be controversial.

Congressional leaders say the healthcare reform bill will *be more difficult to craft*, but claim legislation can be passed by both the House and the Senate before July, opening the way for a climactic conference between the two chambers to reconcile their two versions, at which the real shape of the reform will finally be determined.

Senator George Mitchell, the Democratic leader, yesterday met Senator Robert Dole, his Republican opposite number, to try to agree on how to arrange a busy programme for the Senate, with a possible clash looming over Mr Dole's insistence on congressional hearings into President Bill Clinton's financial involvement in the Whitewater affair.

Mr Dole has threatened to *delay action* on other legislation if he does not get his way on Whitewater hearings, but Mr Mitchell, who had to handle another threatened Republican filibuster yesterday over legislation to designate 3.75m acres of Californian desert as wilderness, warned the Republicans against such delaying tactics.

"Senator Dole is a good friend and a very smart man, but I would not want to be him going to the American people and saying: 'We think Whitewater is more important than passing a crime bill. We think Whitewater is more important than passing a healthcare bill'," Mr Mitchell said in a television interview on Sunday.

Mr Mitchell's own future *could influence* the Senate's work this summer. The Democratic leader has already said he will not run for re-election in November, but if Mr Clinton were to select him to fill the vacant seat on the Supreme Court he might leave the leadership even sooner.

So far only Senator Thomas Daschle of South Dakota has declared himself a candidate for the leadership, while Senator John Breaux of Louisiana, who had been considered a leading contender, yesterday said he would not seek the job.

Ruling party's vote share slips as centre-left alliance sweeps capital

Poll boosts Menem's ambition

President Carlos Menem: his ambition to win a second term next year dominated the campaign Reuter

By John Barham in Buenos Aires

Argentina's governing Peronist party won its fifth consecutive electoral victory on Sunday, but saw its share of the vote slip from the 40 per cent it won in 1991 and 1993 mid-term congressional elections.

The Peronists took 38 per cent of the votes in a poll to elect an assembly that will rewrite the country's constitution.

President Carlos Menem's ambition to be re-elected to a second term in 1995 dominated the campaign. The current constitution bans presidents from succeeding themselves and can only be amended by the specially-elected assembly.

Former president Raúl Alfonsín's Radical party was the great loser, taking only 20 per cent of the votes in its worst result since the return of democracy in 1983. In last year's elections it polled 30 per cent.

The great winner was the upstart Frente Grande centre-left alliance that swept the federal district of Buenos Aires with 38 per cent of the votes, against 25 per cent for the Peronists, by campaigning on an anti-corruption and anti-government platform.

Mr Manuel Mora y Araujo, a leading pollster, said: "The government did pretty well considering it has been in power almost five years. The result shows that economic stability is not affected. But [the government] is showing signs of fatigue."

Nonetheless, Mr Menem is assured of enough votes in the 305-seat assembly to lift the re-election ban, because the Radicals pledged support for a constitutional reform package negotiated by Mr Menem and Mr Alfonsín last year.

Voters punished both mainstream parties, which have dominated the scene for 50 years. The Radicals lost by failing to appear as a credible opposition force. A reputation for corruption, infighting and local political disputes damaged the Peronists.

A record one-third of voters stayed away from the polls or spoilt their ballots, showing only modest support for constitutional reform and Mr Menem's re-election.

Mexican murder inquiry set back

By Damian Fraser in Guadalajara

The investigation into last *month's assassination of* Mr Luis Donaldo Colosio, presidential candidate of Mexico's ruling Institutional Revolutionary party, has received a setback after a judge freed an official accused of helping plot the murder.

The judge on Sunday released Mr Rodolfo Rivapalacio, a PRI official who hired the security guards accused of aiding the assassin, on the grounds of insufficient evidence. Mr Rivapalacio had been charged with indirect involvement in the murder.

His arrest had led to speculation that an organised faction in the PRI was behind the murder of Mr Colosio, and his release seems to put back hopes that the government prosecutor will discover who, if anyone, ordered the assassination.

The judge ruled that there was sufficient evidence to bring to trial Mr Mario Aburto, the confessed assassin, along with three security guards at the campaign rally in Tijuana where Mr Colosio was killed – Mr Vicente Mayoral and his son Rodolfo, and Mr Tranquilino Sanchez.

The three security guards were held on the basis of a video and photographs that appear to show them helping Mr Aburto gain access to Mr Colosio. However, Mr Aburto has said he acted alone.

Mr Rivapalacio, an official in a Tijuana branch of the PRI and a former policeman, was not implicated by the video evidence, making it hard for the government to sustain its case against him.

The government prosecutor has not released any evidence beyond the video and photographs. While suggestive, the photographic evidence appears to be insufficient to prove the guilt of the accused guards.

New leader for Haiti promised

A group of pro-military senators vowed yesterday to install a new president of Haiti to replace Mr Jean-Bertrand Aristide later this week, Reuter reports from Port-au-Prince.

The eight senators, who were elected after the military ousted Mr Aristide in a coup in September 1991, passed a resolution in the Haitian Senate on Sunday declaring that the presidency was vacant.

IADB capital to be boosted by two-thirds

By Stephen Fidler, Latin America Editor, in Guadalajara

An agreement to expand the capital of the Inter-American Development Bank by two-thirds was forged early yesterday by shareholder governments. The change enlarges the stakes of Japan and Europe in the institution.

The accord will take the capital of the bank from \$61bn to \$101bn (£69bn), making it the largest of the regional development banks. The stake of Japan will rise from 1.1 to 5 per cent and that of four of the five main European shareholders will double. Germany, Spain, France and Italy will increase their share of the bank to just under 2 per cent, but Britain's will remain unchanged at under 1 per cent.

The agreement, which accomplishes a long-held Japanese ambition to increase its influence in a region where it has financially supported US initiatives, will be achieved by reducing the share held by the US, Canada and Latin American members in the bank. The US stake drops to a fraction above 30 per cent from 34.67 per cent, while that held by Latin American and Caribbean countries falls to 50 per cent from 53.86 per cent. Two extra board seats were created, for Japan and Chile, bringing the board size to 14.

The move was broadly welcomed. Mr Lloyd Bentsen, US Treasury secretary, said in Washington: "The agreement represents tremendous progress, reflecting the vitality of both the bank and the region." Mr Hans-Peter Repnik, Germany's vice-minister for economic co-operation and development, who chaired the talks, said he was "very satisfied by the result, particularly because it gives the non-regional countries finally their proper role in the most important development institution for Latin America and the Caribbean".

The accord, which allows the bank to lend indefinitely at the current rate of \$6bn a year or somewhat more, will also set in train big changes for the bank's operations.

In a move designed to meet concerns that newly privatised companies will be unable to raise finance, the bank will be expected to make up to 5 per cent of its loans to the private sector. Convention previously dictated the bank make all its loans under government guarantee.

Loans to the private sector will be expected to encourage further lending by private financial institutions. In no case will the bank's lending exceed \$75m or 25 per cent of a project's costs. Interest rates will be decided on a case-by-case basis depending on the perceived risk of the project, and could theoretically be higher or lower than the lending rate to governments, currently 7.26 per cent.

Asked about concerns that lending without government guarantee could hurt the bank's top credit rating, Mr Repnik said the bank's management had shown itself capable of handling the risks. "I don't see any particular risk, but rather new possibilities," he said.

The bank will also expand lending to fight poverty. Some 40 per cent of the value of *loans and 50 per cent of* the number of loan operations will be directed towards social sectors.

Some 35 per cent of total lending will be directed to the region's smaller countries.

US plays down Latin American Nafta hopes

Washington cautious, says **Stephen Fidler**

US officials are beginning a campaign to play down Latin American countries' expectations of quick accession to the North American Free Trade Agreement, while trying to maintain progress towards more liberal trade in the western hemisphere.

The officials, conscious that the summit of Latin American leaders set for Miami in December risks raising expectations of rapid Nafta expansion, say they are still formulating policy. But discussions at conferences in Guadalajara around the annual meeting of the Inter-American Development Bank have provided some indication of the possible direction of US policy.

In the next few months, two reports by the administration will go to Congress. The first in May will provide a general overview of countries in Latin America and elsewhere and of how they measure up to standards seen as vital to either Nafta association or a bilateral free trade accord with the US, such as the extent to which the economy has been liberalised and opened to free trade.

In July, the administration must notify Congress of the countries with which it believes it will be able to enter talks. In doing so it will ask for fast-track authority, under which Congress gives the administration a free negotiating hand. It will not be able to do this again until July 1997.

According to US officials, the net is likely to be cast as widely as possible, but being nominated will not imply a rapid movement toward negotiations. With mid-term congressional elections due in November, the administration will have other priorities for the second half of this year.

Nafta came into force between the US, Canada and Mexico at the start of the year, and the Nafta vote in Congress in November was described by one official as "one of the most divisive and dramatic in recent US history". The administration will not be rushing to repeat the experience. Negotiations with Chile – the one country with which President Bill Clinton is so far committed to negotiate – appear unlikely to start in earnest before 1995, officials confirmed.

But in the interim the administration wants to keep the process on track, first by ensuring other trade arrangements in the hemisphere do not push potential partners further away from Nafta, and second by encouraging other countries to adopt measures that will bring them closer to Nafta qualification.

Ms Carmen Suro-Bredie, assistant US trade representative responsible for the region, said this interim strategy would seek to establish bilateral investment treaties and more satisfactory arrangements to protect intellectual property in the region.

She said the US would "look at integration schemes across the border and links between Asia and Latin America". Latin America's evolving trade arrangements should be transparent and should not create barriers to trade by outside countries. This should help to ensure that new arrangements do not impede future efforts to accede to Nafta.

Finance minister flies to London to state his case

Canada vows to crush deficit

By Peter Norman, Economics Editor

Mr Paul Martin, Canada's finance minister, feels badly misunderstood.

In recent weeks, interest rates have soared and the Canadian dollar has been under pressure on the foreign exchange markets. Last Friday Moody's Investors Services announced that it might downgrade Canada's foreign currency debt from its Aaa rating.

Yet Mr Martin, appointed finance minister in November after the Liberal party's landslide election victory, insisted yesterday that Canada's new government had mounted the most determined assault on the country's budget deficit in two decades. He was in London to impress this message on financial markets.

Mr Martin underlined that the Canadian government's policy was "to keep its eye on two balls – deficit reduction and job creation". He told the Financial Times: "Everything should be geared to that."

But he made clear that fiscal rectitude came first in his list of priorities. Canada last week announced its best employment figures for two years with a sharp fall in unemployment to 10.6 per cent in March from 11.1 per cent in February and 11.4 per cent in January. Mr Martin was in no mood to make optimistic predictions or hail the drop in the jobless rate as a sign that Canada's export and investment-led economic recovery was becoming more broadly based.

"We were elected to create jobs, and we recognise that we can't create jobs unless we mount a fundamental assault on the deficit problem," he said.

Mr Martin stressed that the government would not retreat from the goal enshrined in its February budget of bringing the deficit down to 3 per cent of gross domestic product or about C\$25bn (£12.3bn) by 1996-97. The budget, which envisages a reduction in the deficit to C\$39.7bn in 1994-95 from C\$45.7bn last year, "is the most significant budget in the last 20 years in terms of cuts".

The financial markets had failed to recognise that it involved "a deep restructuring of the way government operates", including radical reductions in unemployment insurance and defence expenditure. The markets were wrong to fear that deficit reduction might be put off course by higher interest rates following the rise in US rates since February.

The government had planned for the unexpected, Mr Martin said. "We will take whatever action is required to hit our targets."

It was not properly understood abroad that the 3 per cent deficit to GDP target was anchored in legislation that would be passed in this year's budget bill and that budgets in later years would seek to cut the deficit even more.

Meanwhile, Canada has an inflation rate that is well below the average of the main industrial countries, productivity increases "are going gangbusters" and growth, at an annual rate of 3.8 per cent in the final quarter of last year, is high by international standards and above the government's expectations of a 3 per cent annual rise. Higher than expected growth added further credibility to the government's budget targets, he said.

Paul Martin: 'We will take whatever action is required to hit our targets' Lydia van der Meer

NEWS: WORLD TRADE

China 'must move further on rights'

By Nancy Dunne in Washington

A senior US commerce department official yesterday said China would have to improve its human rights record further if President Bill Clinton was to renew its Most Favoured Nation trade status in June.

China had made "slow but discernible progress" in some areas, said Mr Jeffrey Garten, undersecretary for international trade, but the administration was "deeply troubled" by the recent arrests of Chinese citizens.

MFN status for China allows its goods the same tariff treatment as other US trading partners. Loss of MFN would be a big blow to both economies.

Mr Garten was speaking at a US-China trade and investment conference in Los Angeles, attended by by Ms Wu Yi, China's minister for trade and economic co-operation.

He welcomed as "positive" a statement on the universal declaration of human rights, delivered by the Chinese foreign minister on April 6. Honouring the declaration is one of the seven criteria set out as a basis for MFN renewal by Mr Clinton last year.

However, said Mr Garten, actions like the recent detentions and arrests of Chinese activists "cast a cloud over our efforts to further co-operation between our two countries".

Mr Garten has been gaining a reputation as a thoughtful trade policy theorist. But he has been criticised for his enthusiastic embrace of US-China commercial relations as part of the department's aggressive export promotion policy. Critics say this has sent "mixed messages" to Beijing.

Yesterday, Mr Garten offered assurances that the US did not seek to infringe China's sovereignty and three times stressed to a government obsessed by stability that co-operation would lead to "stable and prosperous" China.

"Our combined business skills and industriousness can create a powerful engine for economic growth," he said. "The potential benefits to both our countries in improving trade relations will be felt not only in commercial terms and economic security, but more broadly in a secure and stable Asian-Pacific region."

The US asked only for adherence to universally recognised human rights standards, which would provide "a more stable and attractive climate for trade and investment".

Administration officials have recently indicated that there would be little problem in certifying progress on two of the most pressing criteria: emigration and prison labour.

The US wants more information on political prisoners, and the round-up of dissidents is seen as a setback. There has been no improvement of conditions in Tibet, but China has promised to provide information on 106 Tibetan prisoners.

US officials have also suggested that China's co-operation on MFN this year may bring an end to the annual renewal process. Mr Winston Lord, assistant secretary of state, said the administration hoped for a "normal process" in the years ahead, ending the annual debate which has divided the Congress since the Tiananmen uprising.

At present, China, as a non-market economy, must have its tariff status renewed by the president or it will expire on July 3. Congress has until September 1 to pass a joint resolution overruling the president, but he can veto that and it takes two-thirds of the House and Senate to override him.

China pact entices S Korea's big guys

John Burton on an expected surge in trade and investment by conglomerates

The recent visit of South Korean President Kim Young-sam to Beijing has inaugurated a new and bigger phase of South Korean investment in China.

While small and medium-sized businesses pioneered South Korean investments in China, the next stage will be dominated by the country's big industrial groups, or *chaebol*, accompanied by their subcontractors.

The *chaebol* have been cautious about entering China because of market restrictions on the sale of their products and other worries ranging from uncertain business laws to poor infrastructure.

But the signing at the end of March of a Sino-Korean technological and industrial pact will open up the Chinese market to such South Korean products as cars, telecommunications equipment and electronic goods. The conclusion of a double taxation treaty and an agreement on business contracts will also reassure Korean investors.

The entry of the *chaebol* is expected to increase total cumulative South Korean investments in China from \$1bn in 1993 to \$4bn by 1997, while boosting annual direct trade from \$9bn to \$28bn. China accounted for almost half of South Korean investment abroad last year, while South Korea enjoyed a \$1.1bn trade surplus with China.

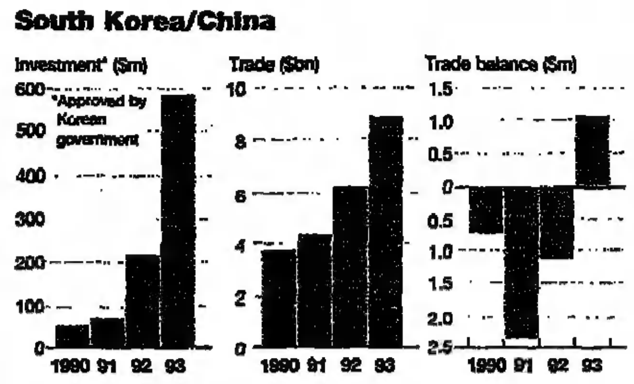
Mr Todd Maurer, analyst at Dongbang Peregrine in Seoul, says China has been "paramount to the survival of financially weaker Korean companies operating within saturated domestic industries", such as textiles, food products and electronic components.

These companies have been using China as a cheap manufacturing base and re-exporting their goods, with their wholly owned factories clustered around the rim of the Yellow Sea because of its proximity to Korea.

Although low wages appeal to the *chaebol*, their primary interest is in developing markets in China in co-operation with local joint venture partners. This reflects a shift in the *chaebol's* strategy toward creating markets in the developing world, in particular in Asia, as competition intensifies in the industrialised countries.

Moreover, the *chaebol* view China as a backdoor entrance to investments in North Korea. South Korean companies may be able to avoid a ban imposed by Seoul on their direct investments in North Korea by using Chinese joint venture partners to establish factories there.

South Korea/China



Source: South Korean Ministry of Trade, Industry and Energy

Korean companies, such as Samsung, are also planning to invest in Chinese-supported transport links to the Rajin-Sonbong free trade zone in north-eastern North Korea.

The *chaebol* have already made initial investments in China, mainly in the electronics sector. Samsung and Goldstar, for example, operate VCR plants in Tianjin, a prime investment area for Korean companies.

Goldstar recently announced that it is establishing joint venture colour TV and VCR factories in Changsha and Shanghai respectively. Meanwhile, Yukong, Korea's biggest oil company, plans to build a \$1.5bn refinery in Shenzhen which would be the largest joint venture to date.

Samsung wants to operate plants for petrochemicals, industrial chemicals and electronics, while participating in the construction of port facilities and other infrastructure projects.

Daewoo plans to manufacture heavy machinery, cars and motor vehicle parts, and electronics in China in addition to winning construction orders.

The sectors that will benefit from the new agreement include:

- **Motor vehicles.** The deal will probably allow at least one of Korea's main carmakers – Hyundai, Kia and Daewoo – to build a joint venture factory by 1997. Hyundai and Kia already assemble a limited number of trucks and minibuses in China, while Hyundai and Daewoo operate a small network of after-service outlets. Daewoo plans to establish a parts joint venture soon in Jilin Province in the hope that it can eventually assemble cars in China.
- **Telecommunications:** South Korea will develop a new version of its time division exchange (TDX) system for China's telephone network. Goldstar Telecom and Samsung Electronics are setting up joint venture manufacturing plants for TDXs in Shandong province and want to expand into the production of fibre optics, transmission equipment and handsets.
- **Aerospace:** Aviation Industries of China will co-operate with Samsung Aerospace, Daewoo Heavy Industries and Korean Air Lines in developing and producing a medium-sized commercial airliner with 50 to 100 seats for regional carriers in Asia.
- **Electronics:** A Korean consortium, including Samsung and Goldstar, will provide technology for the development of high-definition television in return for access to the Chinese market.

Delays threaten \$870m Czech oil investment plan

By Patrick Blum in Vienna

The future of a proposed \$870m investment by a consortium of Agip, Conoco, Shell and Total will be put at risk unless the Czech government endorses the project at a meeting of its economic council today, sources close to the consortium say.

A decision on the project, involving two Czech refineries and an oil pipeline linking the Czech Republic with Germany, has been awaited for months by consortium members, worried that nationalists in the government who oppose foreign participation will cause further delays and render the project unfeasible. Under the proposal the consortium would take a 49 per cent stake in the refineries, with the government keeping 51 per cent for the foreseeable future.

The two refineries are included in the wave of voucher privatisations now moving into the decisive stage when voucher holders bid for shares in specific companies. The consortium said the government must make clear its intention to bring foreign partners into the refineries which are to be combined within a single company as outlined in its own privatisation programme for the oil and petrochemicals industry. Failing this, the refineries' ownership structure will become too diversified, with competing shareholders in the two refineries making an effective bid unworkable.

The consortium envisages investing \$280m in the Chemopetrol Litvinov refinery, in northern Bohemia near the German border, and about \$240m in the smaller Kaucuk Kralupy refinery, some 60km north of Prague.

The consortium also proposes to invest about \$150m, a third of the cost of a new oil pipeline to be built between Ingolstadt in Germany and the two Czech refineries. A further investment of around \$200m in working capital will be needed to help start up the pipeline and other costs.

The Czech Republic imports practically all its crude oil, about 8m tonnes a year, from Russia, making it prone to political pressures from Moscow. The new pipeline, with an annual capacity of 10m tonnes, would "attach" the Czech Republic to west Europe, an analyst said. It would provide greater security and more flexibility, by carrying different products, and could boost Russian oil exports to Germany. It awaits approval from the Bavarian authorities, and is expected to be completed by early 1996.

Irish airline adds to UK destinations

By Tim Coone in Dublin

Ryanair, the Dublin-based independent airline, is to expand its budget "no-frills" UK-Ireland services with two new UK destinations out of Dublin from next month.

Adding Manchester and Glasgow to its destinations of Stansted, Luton, Liverpool and Birmingham, Ryanair aims to capture market share from Aer Lingus, the state-run airline, and Irish Sea ferry operators.

Ryanair says traffic on the Dublin-Birmingham route has grown by over 80 per cent since it started last October, challenging the Aer Lingus monopoly on the route. The company is confident it can achieve the same level of growth on the Manchester and Glasgow services.

Ryanair will operate eight flights a day between Dublin and Manchester and four between Dublin and Glasgow. Its fares will be half those currently offered by Aer Lingus, the state-run airline, and will almost certainly force Aer Lingus to adjust its fares on the routes.

Fertile soil for economic reforms in Morocco

Prospects are brighter for people living from the land, though the political climate remains grey, writes **Francis Ghilès**

Since last autumn, the heavens have been kind to King Hassan. Never has so much rain poured from the Moroccan skies in a quarter of a century.

This should ensure bumper crops and would be good for the half of Morocco that draws a living from the land.

Two consecutive years of drought have taken their toll. Gross domestic product contracted by 2.9 per cent in 1992, after farming output fell by 29 per cent, and was static last year.

Recession in Europe, Morocco's biggest trading partner, along with a fall in the price of phosphates, one of the country's main exports, have also contributed to lower growth.

But other sectors have recently been growing by about 3 per cent a year and most estimates agree that GDP growth overall could reach 7 per cent in 1994.

As government ministers from all over the world assemble in Morocco this week for the signing of the Uruguay Round global trade liberalisation accords, the country has much to be proud of.

After 10 years of liberalisation moves, the dirham has been made convertible for current account transactions and prices are essentially free of control, the banking sector is slowly being recapitalised and privatisation is under way.

Meanwhile, the strict fiscal austerity Morocco has followed since 1984 has brought the budget deficit down from 12 per cent to 2 per cent of GDP.

Key changes are being enacted this year in the banking sector and the privatisation programme launched last year speeded up.

The political climate, however, in keeping with the heavens, remains grey and may not encourage the broad support the Moroccan government needs to see through the reforms.

Last November the pro-labour Union of Socialist and Popular Forces (USFP) and the nationalist Istiqlal (Independence) opposition parties alleged that the second round of the general elections had been manipulated by the powerful minister of the interior, Mr Driss Basri.

They declined the king's offer to join in a coalition government with other pro-government parties.

King Hassan professed to be "bitterly disappointed" but said he would continue to seek a dialogue with the opposition.

Ministers in the government of technocrats headed since last November by the veteran conservative prime minister, Mr Mohamed Karim Lamrani, who has long been one of King Hassan's trusted advisers, are finding the new intake of deputies far more combative and questioning of government decisions than before.

Parliament thus provides a truer reflection of society at large – mindful of the advantages of a strong monarchy but keen to speak its mind more freely and win a real say in decision-making.

Mr Mohammed Sagou, finance minister, had an unusually rough ride when he presented the budget earlier this year.

All parties are mindful of the violence racking neighbouring Algeria but so far the king's religious authority has been enough to avert serious Islamist opposition.

Moroccan troops patrolled in Marrakesh yesterday prior to the Uruguay Round ceremony Reuter

Moroccan leaders know they *must speed up the pace of economic reform and industrialisation* if their country is to take full advantage of the trade and aid partnership it is negotiating with the European Union and satisfy the needs of most of the hundreds of thousands of new entrants to the labour market every year.

The population has risen *faster than average real GDP* growth since 1989.

The World Bank notes that Morocco, along with Tunisia, has been caught between competitors who had been more successful in broadening their industrial base and exports, and others who enjoyed cheaper labour costs, notably in textiles.

Reforms are being introduced into the banking sector.

Mr Mohamed Seqqat, governor of the central bank, is phasing in over this year a set of stricter prudential lending rules.

Bankers in Casablanca say these rules are forcing them to limit their exposure to any one group of companies to 7 per cent of their capital and will force a reorganisation of their loan portfolios.

They will have to make higher provisions for loans they extend to companies whose financial position is not considered sound.

The authorities are also gearing up for the launch of a market in government securities and private bills.

The IMF and the World Bank are pressing the Moroccan authorities to lift the monopoly which the central bank has so far enjoyed in the sale and purchase of foreign currencies.

The development of a free *foreign exchange market* would give Moroccan companies access to international capital markets.

Mr Jaloul Ayed, general manager of Citibank in Casablanca, points out that "more and more Moroccan companies boast high technology, modern management and marketing but are handicapped by the absence of a modern financial system such as enjoyed by their peers in Europe and Asia."

The privatisation programme launched last year is meanwhile being speeded up.

Receipts from the sale of state holdings in Moroccan companies is expected to increase 40 per cent to reach $350m this year.

By late spring, the state will have completed its *disengagement from oil and gas distribution* companies nationalised in the 1970s – most have reverted to their foreign owners.

Power generation is being opened up to the private sector for the first time as international companies submit bids for a new thermal power station.

The government then plans to start privatising four financial institutions.

They include Banque Marocaine du Commerce Exterieur, in which the state has a 70 per cent stake and which holds a quarter of all domestic deposits.

The others are Banque Nationale du Développement Economique; Credit Immobilier et Hotelier, which finances hotels and housing, and Banque Populaire du Maroc, a co-operative bank which holds a third of all deposits and which is expected to be sold to its regional bank shareholders.

The new minister of privatisation, Mr Abderrahmane Saadi, a former partner of Price Waterhouse and chairman of L'Economiste, Casablanca's most lively economic weekly, says the government decided to retain only a 5 per cent "golden share" in each of the four institutions.

Two broad challenges face Moroccan leaders as they enter this crucial stage of reform.

The first is to redress the huge imbalance which exists in the standards of education, health and income between different social groups in the cities and between the towns and the countryside.

The second is to tackle constraints younger Moroccans seeking to set up companies face – the high cost of industrial land, what many entrepreneurs describe as the "piranha-*like behaviour" of customs and* tax officials, and an unreliable judicial system, notably in the field of business.

Such moves are vital if Morocco is to avoid, in the longer run, the resentment and revolt which elsewhere in the Arab world have proved fertile ground for supporters of radical Islam.

McDonald's finds some burghers are riskier than others

By Richard Lapper

The Netherlands is one of the most dangerous places in the world, outside the US, to eat a Big Mac, according to a survey.

McDonald's commissioned Tillinghast, the actuaries and consultants, to collect data on their outlets and found that some 50 McDonald's restaurants in Amsterdam and other Dutch towns and cities were nearly twice as likely to suffer property damage and loss of profits through fire, flood, wind damage, vandalism and theft than fast food outlets located in eight other Asian and European countries.

The survey, which Tillinghast has called "The Big Mac Cost of Risk" was carried out in 1992 to help McDonald's set up its own Dublin-based "captive" insurance company, especially dedicated to insure the company's own risks.

"There does not appear to be any single explanation," said Mr Mark Scully, one of two Tillinghast consultants who worked on the project.

Heavy storm and flooding which affected the Netherlands during 1990 and 1991 may be part of the reason, he suggested, although there are *some indications* that vandalism is becoming a bigger problem.

The survey found that McDonald's restaurants located in France have a record only marginally better than those in the Netherlands and have lost more money from theft. The rate of theft and accident losses in Germany and the UK also rose sharply during 1990 and 1991.

It also discovered that McDonald's liability claims – which mainly result resulting from legal action by disgruntled customers – were three-and-half times higher in Ireland than in the UK and almost eight-times higher than in any other location.

Mr Scully said the Irish figures were "startling. It seems that the legal system is more adversarial, much more like the United States."

The survey also found that crime and accident trends are rising sharply in the UK, Germany and Hong Kong and that liability costs are increasing apace in the UK, France, the Netherlands and Hong Kong.

Taiwan has the worst record of the east Asian countries included in the survey. The cost of claims for property damage, business interruption, crime, and liability are significantly higher than in either Hong Kong or Singapore.

The safest McDonald's in the countries covered in the survey are in Switzerland and Singapore.

The company excluded some countries from the comparison on the grounds that they have insufficient restaurants to make a comparison credible.

Belgium steps up Kigali rescue

By Gillian Tett in Brussels

Belgian paratroopers were yesterday beginning a high-risk operation to rescue the remaining foreign nationals scattered across the Rwandan capital, Kigali, the scene of bloody inter-tribal massacres.

But with the Rwandan rebels reported to be marching on the capital, prompting fears of further clashes, the Belgian defence ministry said of foreigners trapped in outlying areas: "We do not envisage for the moment pushing our action further than Kigali – it is not possible given the difficulties we are experiencing in Kigali itself."

The first group of Belgians to leave Rwanda yesterday were returned to Brussels, with several hundred more expected to be evacuated from the centre of Kigali later today. Several hundred French and US nationals also left Rwanda yesterday.

There are currently 400 Belgian paratroopers in Kigali.

Rwanda, a former colony of Belgium, was previously estimated to have some 1,500 Belgian residents, the largest group of any foreign nationals.

Six Belgian civilians have been killed in the fighting, in addition to the 10 Belgian soldiers serving with the United Nations forces massacred on Thursday, the Belgian government confirmed.

Three of these were killed in the northern town of Gisenyi at the beginning of the fighting, with the remainder killed more recently in Kigali, said Mr Willy Claes, Belgium's foreign minister.

The killings have provoked outrage in Belgium, fuelling fears that the violence may have taken a particularly anti-Belgian twist, particularly among the majority Hutu tribe, which has accused the Belgians of supporting the rebels.

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For further details please contact the Joint Administrative Receivers, Allan Griffiths and Scott Barnes, Grant Thornton House, Melton Street, Euston Square, London NW1 2EP.
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For further information please contact Sandy Brown or Sal Algeri at Touche Ross & Co., Cedric House, 8-9 East Harding Street, London EC4A 3AS. Tel: 071 936 3000. Fax: 071 480 6881.

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- Lupus Electrical Products Limited manufactures distribution boards and custom built lighting.

Other principal features of the businesses include:

- SRE Distribution and Lupus Electrical Products, operate from excellent leasehold factory and offices of 11,000 sq.ft. in Sheffield
- Estwic Products and SRE Controls, operate from modern freehold premises in Alfreton, close to the M1 and A38 of 10,500 sq.ft., with land for expansion
- highly skilled workforce of 29
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For further information please contact David Stokes, Joint Administrative Receiver at Coopers & Lybrand, 1 East Parade, Sheffield S1 2ET. Telephone: (0742) 729141. Fax: (0742) 598202.

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For further information *contact* John Powell or Linda Forish of Coopers & Lybrand, Hadrian House, Higham Place, Newcastle upon Tyne NE1 8BP. Telephone: (091) 261 2121. Fax: (091) 230 5993.

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- pulp and paperboard manufacturing site serving the match factory, domestic and export markets (estimated US$1.7m pa)
- specialist sisal pulp business (estimated US$1.3m pa)
- sail farm at Tanga
- all sites held on Tanzanian equivalent of freehold.

Offers will be considered for the separate businesses or for the whole.

For further details, please contact Leonard C Mususa, Receiver and Manager, Coopers & Lybrand, P O Box 45, *Sukari House, Ohio Street, Dar es Salaam, Tanzania.* Telephone: (255) 51 32401/4. Fax: (255) 51 29034. Telex: 41160.

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BUSINESS AND THE LAW

Dan Air sale evades merger rule's scope

EUROPEAN COURT

The European Court of First Instance has rejected Air France's appeal against the European Commission's finding that British Airways' acquisition of Dan Air was outside the scope of the European Merger Regulation.

The CFI said a public announcement by the Commission that an unnotified merger did not satisfy the turnover thresholds of the merger regulation was a decision reviewable by the Court. But it approved the Commission's calculation of the turnover of Dan Air for the purposes of deciding whether the merger had a Community dimension.

On October 23 1992, BA and Davis and Newman, owners of Dan Air, agreed BA would purchase Dan Air's scheduled services. Davis and Newman agreed to sell or discontinue Dan Air's charter business as a condition of the deal. Before completion on November 8, the charter service was discontinued.

On October 30 1992, the European competition commissioner's *press spokesman* made a public announcement, reported by Agence Europe, that the merger was not *of Community dimension as one of the quantitative thresholds* fixed by the merger regulation was not reached.

In calculating turnover, the Commission had used only the *turnover in the last available* accounts relating to the scheduled services business bought by BA, *excluding the turnover of the* charter business.

On November 2, the UK's trade and industry secretary decided not to refer the deal to the Monopolies and Mergers Commission.

Air France wrote to the European Commission disputing the turnover calculation and the conclusion that the merger regulation did not apply. The competition commissioner confirmed the Commission's position.

Shortly afterwards, Belgium asked the Commission to investigate the impact of the merger on the Belgian market in accordance with merger regulation rules permiting a member country to make such a request when a merger does not have a Community dimension. On February 17 last year the Commission ruled the merger did not create or reinforce a dominant position in Belgium.

Air France challenged the Commission's announcement that the merger *did not have* a Community dimension before the CFI.

The Commission asked the court to dismiss the appeal as inadmissible on four grounds: the announcement was not a decision because it had no legal effects; its form was inconsistent with its being a binding decision; there were other more appropriate proceedings available to Air France at EC and national level; and, even if the announcement was a decision, it was not of direct or individual concern to Air France.

The CFI ruled the appeal admissible, rejecting all the Commission's arguments. Two aspects of the Court's decision are particularly significant.

First, it said it did not matter that the merger had not been notified, nor that the announcement was not a formal decision taken under the regulation.

Second, the court found the decision was of direct and individual concern to Air France because it was a competitor in the relevant market.

The CFI found against Air France on the issues of substance, *however. The underlying question* was whether the Commission had correctly interpreted the turnover calculation rules. Air France said it should have included the charter business turnover. But the CFI *said the Commission* had correctly interpreted the rules.

The general rule on turnover *calculation* required *the Commission* to take into account the turnover of the undertakings concerned by the merger as reported in the most recent published accounts. However, an exception existed where only part of a business was being sold. In those circumstances the Commission may only take into account the turnover of that part of the business actually sold. It did not matter that the exception did not expressly refer to the cessation of part of a business prior to merger as in the BA-Dan Air case.

T-3/93: Air France v Commission, CFI 2 CH, March 24 1994

BRICK COURT CHAMBERS, BRUSSELS

Too shallow a pool

City solicitors find it hard to qualify as judges. **Robert Rice** investigates

Business has become accustomed to the expense of commercial litigation in the English High Court. *Now a survey of City lawyers,* in Legal Business magazine, suggests the overall standard of High Court judges is so poor that businesses are no longer getting value for their money.

This is not only of concern to leading City law firms and their clients – it also threatens to damage London's reputation as a centre for international litigation. The Commercial Court, which deals with international trading and commercial disputes, contributes hundreds of millions of pounds each year to UK invisible earnings.

The current system of drawing High Court judges from the ranks of leading QCs is held to blame. There are not enough senior barristers of the right quality prepared to serve on the bench. Many are unwilling to give up lucrative careers at the commercial Bar for a High Court judge's salary of £95,051 a year and the promise of a pension. According to the survey, eight of the 35 QCs offered High Court judgeships last year said no.

The solution advocated by many lawyers is to widen the pool from which High Court judges are chosen to include solicitors, and in particular to make use of the specialist knowledge and expertise of City solicitors in handling complex commercial litigation.

A report by the City of London Solicitors' Company, the City lawyers' representative body, published this week endorses that view. It calls for fundamental changes to the present judicial appointments system to make it easier for City solicitors to be appointed High Court judges.

What do City solicitors have to offer? Approximately 5,000 practise in the City – the home of the 11 largest law firms in the UK, which are instructed by the biggest companies in the country.

The report says the City has a pool of talent with specialised knowledge of company and commercial law, *banking, commercial* property and commercial litigation. City solicitors also have more commercial awareness, thanks to their contact with business clients, and greater experience in the management of litigation.

Specialised courts, such as the Commercial Court and the Official Referee's court, have already cut delays and improved efficiency by adopting a specialist emphasis, says the report. The speed of resolving a dispute is quicker with a judge on the bench who is a specialist in the issues being litigated.

As yet, however, there are no City solicitors sitting as High Court judges. At the moment, the route for any solicitor to the High Court bench is long and arduous.

Judging the judges: City solicitors want the selection system changed

The *only realistic path* begins with appointment as an assistant recorder for at least three years. This is a part-time position: assistant recorders sit for between 20 and 50 days a year. To qualify for *appointment, applicants must have* had advocacy rights in the Crown or county courts for at least 10 years. The application process is lengthy and can take three years.

Solicitors then have to sit as recorders for not less than two years, and probably at least three. This is also a part-time appointment, requiring them to sit for between 20 and 50 days a year.

After a minimum of two years, they become eligible for the Circuit Bench. After two years as a Circuit Judge (or 10 years' High Court advocacy rights) they become eligible for the High Court bench.

Even the *fastest moving* candidates are unlikely to reach the High Court bench in less than eight or nine years from application. Solicitors aiming *for* the High Court therefore need to apply in their early 40s if they are to achieve a full-time *judicial appointment* by the age of 50, and qualify for a full pension under the new pension *arrangements for the judiciary.*

The report by the City of London Solicitors' Company says it is hard for any solicitor to meet the requirements of this system, but it is almost impossible for City solicitors. Most successful City solicitors expect to become full partners between 34 and 38. Their early 40s, therefore, are the time when their careers and their earning potential are likely to be at their peak.

Most of them have other commitments in the running of their firms at that stage. Many find it hard enough to squeeze in a holiday, without committing between 20 and 50 days a year to sitting as an assistant recorder or recorder.

The current system also ignores partnership pressures. However relaxed a partnership *may be, the* cost to any firm of one partner embarking on the path to full-time judicial appointment in the early 40s is likely to be prohibitive.

The Solicitors' Company believes several changes are needed:

- The system needs to be more flexible, so *that solicitors* in their early 50s who are winding down their City practices can offer some of their experience to the bench at the point in their careers when they are best able to do so.

To achieve this, the system has to allow City solicitors to be appointed directly to full-time judicial posts. In theory, the report says, there is no reason why suitably qualified *solicitors* should *not* be *appointed* directly to the High Court.

- There is a need for more specialised courts. *At present, judges are* not assigned to the courts to which they are best suited, and cases are not allocated to the *judges best* suited to hear them. City solicitors with specialist knowledge should be allocated to courts that deal with disputes in areas in which they have expertise.
- The present system for vetting candidates for the High Court bench, which places undue reliance on the views of the serving judiciary and senior members of the Bar, should be abolished and replaced with a Judicial Appointments Commission, made up of lawyers and lay people.

Although the Law Society has agreed to help the Lord Chancellor's Department in assessing solicitor candidates for judicial office, the report says it knows far too little about individual solicitors and their practices for its opinion to be of much value. An independent vetting procedure is therefore needed.

- The solicitors' company wants judges to be able to return to private practice after serving on the bench. Abandoning practice has become a condition of appointment *to the bench for* no apparent good reason, it says.

Both sides of the profession could *benefit if judges returned to* practice or took up academic positions or posts in commerce and industry. This happens in other common law jurisdictions, such as Canada and Scotland, and could encourage those reluctant to give up lucrative practices to offer their services, albeit for a limited time.

The report concludes that, if the Lord Chancellor's Department agrees that City solicitors have a potentially valuable role to play in the judiciary, it should make the appropriate changes to the system. It cannot continue to expect City solicitors to fit in with a system designed primarily to accommodate members of the Bar.

LEGAL BRIEFS

Backing for new insolvency procedure

The Law Society has endorsed the introduction into English insolvency law of a "corporate voluntary arrangement" *procedure*, under which there would be a moratorium on creditors' rights prior to a creditors' *meeting to* consider the CVA proposals.

The small number of administrations *and CVAs since* the 1986 Insolvency Act came into force is seen as evidence of the absence of a company rescue culture in the UK. However, the Law Society's company and commercial law *committee* warns that the number of successful rescues as a consequence of CVAs is likely to be small.

Many companies became victims of the recent UK recession because of changes in fundamental economic factors, for which existing rescue procedures provide no relief, the committee says.

It suggests, therefore, a limit on the extent to which CVAs should take precedence over existing insolvency procedures. The rights of floating-charge holders, for instance, should not be altered radically unless it is clear that any changes will not diminish companies' ability to raise finance. The committee also wants *checks imposed on directors during* the moratorium to prevent them from using the CVA to retain *control of their company for longer* than is appropriate.

Heading east

New York-based Shearman & Sterling has opened an office in Hong Kong, the latest in a long list of US and UK firms to seek a foothold in south-east Asia. The new office will be staffed by eight full-time resident attorneys, three of whom have defected from the Hong Kong office of Los Angeles's Gibson Dunn & Crutcher.

PEOPLE

Koerfer to chair Sutherland

Sutherland & Partners, the small Edinburgh stockbroking house which says it is the only institutional broker headquartered in Scotland, has appointed a Swiss as its chairman. He is Patrick Koerfer, a London-based director of the Swiss fund manager Global Asset Management.

"We could have done what other companies here do and appoint a Scottish dignitary," says Ken Brown, the managing director, "but we felt that with our international orientation Patrick Koerfer would be more valuable to us."

Sutherland was founded in late 1989 to provide international soft commission services to UK clients and independent research to international clients. That formula was only partially successful and in 1991 Roderick Sutherland, the founder, resigned as ceo. He ceased to be non-executive chairman last February, since when there has been no chairman.

Since 1992 Sutherland & Partners, which employs 25 people, has concentrated on execution-only dealing, traditional advisory stockbroking and research-based broking in the whisky, retail and pharmaceutical sectors. Its institutional clients are in continental Europe and the US as well as the UK.

Brown says the company is based in Scotland "because that is where we all want to live". The fact that Edinburgh is not a major stockbroking centre offers complete discretion compared with London, he says. "There is none of the tittle-tattle you get in London. You can do a deal here without people getting wind of it."

Koerfer, who is in his 50s, will bring to the company his ability to introduce Sutherland to European clients and will accompany Sutherland executives on forays on the continent.

Non-executive directors

Elliott Bernerd, the 48-year-old property developer, has recruited Sir Alan Hardcastle, 60, a former head of the government's accountancy service, as a non-executive director of his latest quoted property venture – Chelsfield.

Sir Alan, who stepped down from the Treasury last September, is a former senior partner of KPMG Peat Marwick. He is currently chairman of the regulatory board of Lloyd's of London and is a member of the Bank of England's board of banking supervision.

Sir Alan, who held the title of chief accountancy adviser at the Treasury, will be chairman of Chelsfield's audit committee. The committee, made up solely of Chelsfield's non-executive directors, will receive and review reports from the management and the auditors relating to the accounts and the group's internal control systems.

Bernerd, who owns 30 per cent of Chelsfield which he brought to the stock market at the end of last year, says that since several of Chelsfield's non-executive directors are based overseas, he had been keen to recruit someone based in the United Kingdom.

■ Frances Heaton (above), former director-general of The Takeover Panel who has returned to her directorship at Lazard Brothers, at COMMERCIAL UNION.

■ David Jefferies as chairman of NORTHERN IRELAND ELECTRICITY on the retirement of Sir Desmond Lorimer in July; Lynda Rouse, a director of BZW and a member of the energy advisory panel to the DTI, also joins the board.

■ John Hunter, chief executive of the Hartstone Group, at MORE O'FERRALL.

■ John Warren, group finance director of United Biscuits, at BOWATER.

Finance moves

Hong Kong has been the world's most profitable banking market in the past year. Ian Wilson is therefore taking over one of the most enviable posts in a British bank by becoming Standard Chartered's general manager for Hong Kong and China.

Wilson, 52, succeeds Tony Nicolle, the former Hong Kong banking commissioner who was appointed to oversee Standard Chartered in the colony in 1991 – when it was in a troubled period – by Rodney Galpin, its former chairman.

Nicolle, 59, is retiring from Standard Chartered. Wilson has had a long career with the bank, joining in 1961 and serving in India, Singapore, the US, South Korea and Malaysia before becoming chief executive Hong Kong in 1991.

Since September 1992 he has been general manager for the Middle East and Asia.

■ Richard Ryder, international telecommunications analyst, has left Salomon Brothers and is heading for Swiss Bank Corporation to set up a new team of analysts covering global telecommunications.

SBC lacks expertise in this area and has apparently been on the look-out for a suitable candidate for a while. Ryder, 46, will be head of global telecommunications research, working with a handful of analysts – still to be appointed; the bank sees "telecommunications and media as one of THE sectors which will have a great future".

Ryder had a high profile at Salomon Brothers, his home for the last seven years, where he was global co-ordinator of telecommunications research. He points out that with some $40bn worth of telecoms issuance expected in Europe as a result of privatisations over the next three years, the area is "a big apple to take a bite out of".

■ Mike Shilling has been appointed director of product development at RECORD TREASURY MANAGEMENT.

■ George Gibson has been appointed to the board of SANWA INTERNATIONAL.

■ Peter Beale has been appointed a director of Martin Bierbaum Information Systems, part of TRIO HOLDINGS.

■ Gary Steinberg has been appointed to the new position of global investment strategist at Capital House, part of The ROYAL BANK OF SCOTLAND; he moves from the Universities Superannuation Scheme.

■ Mark Montgomery has been appointed dealing director of HOENIG.

■ Grant Johnston, formerly vice-president, capital markets at Citibank, has been appointed head of NATWEST Capital Markets' syndicated loan distribution and debt trading activity.

■ David Somers, deputy md and director of investment for Nikko Capital Management (UK), has also been appointed md of Fraser Green and Fraser Unit Trust Managers, subsidiaries of NIKKO International Capital Management (Tokyo).

■ Jim Smeal, formerly head of UK private banking at The ROYAL BANK OF SCOTLAND, has been appointed chief manager of its Drummonds branch in London.

Barry moves up at Wellcome

UK pharmaceuticals company Wellcome is merging the management of its entire research, development and medical (RD&M) operations into one unit under David Barry.

He takes over from Trevor Jones, formerly head of RD&M outside the US. Jones, 51, moves to Wellcome's corporate headquarters to work with chairman John Robb on what the company calls "strategic projects" from May 1.

Wellcome says the changes bring the company into line with the rest of the industry where one head of R&D is the norm.

Barry, 50, most recently held the post of vice president of RD&M at Wellcome's US operation Burroughs Wellcome. He has been a main board director since 1989, having joined Burroughs Wellcome in 1977. Previously he was a surgeon who worked for the US Food and Drug Administration.

■ John Crossman, company secretary of P&O, is appointed to the board with additional responsibility for group safety and environmental policies.

■ Hal Chenhall, formerly marketing director of Gould Instrumentation Systems, has been appointed md of Penny & Giles Drives Technology, part of BOWTHORPE.

■ Howard Stanworth, previously chairman and chief executive of Texas-based Appletree Markets, has been appointed a group director at APV.

Speedy business tool

Multimedia has been hyped mostly as a provider of news and entertainment rather than a help for business.

But some companies have turned to this combination of voice, pictures and text – using computers, telephones and video – to speed up operations and save costs. Frost & Sullivan, the US market researcher, forecasts a multimedia market in Europe of $3.6bn (£2.5bn) by 1996, with the fastest growth in desktop systems.

One of the first UK companies to use multimedia as a business tool is Colorgraphic, which produces direct marketing and sales promotion leaflets. It turned to this technology to improve communications with agents and customers in continental Europe, especially in Germany and the Netherlands, and so lift exports.

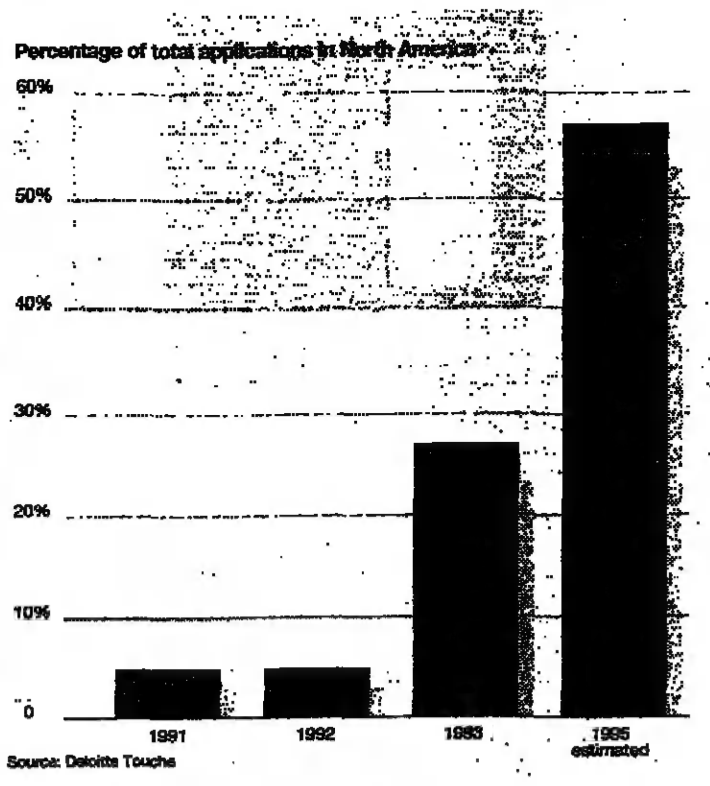
Colorgraphic is the first European user of the Visit (visually interactive technology) system from Canada's Northern Telecom. The UK company's products are all of different designs. Agreeing these with clients can take time, especially if changes are needed. Now, by communicating visually and verbally through Visit and putting designs on screen, the process from design to printing agreement can be completed in hours rather than days.

"Everything we do starts as a reel of white paper but ends as an intricate finished product," says Michael Hunter, chief executive. Colorgraphic wants more foreign customers. "Often, we or they had to hop on a plane. Courier costs were £25,000 a year – air fares cost the same and hotel bills were high. This was about £100,000 and we will save a lot of that."

Colorgraphic, whose main competitors are in Germany, spent £250,000 on Visit and communications technology. "It's much easier to make something clear," says Armin Kleiss, production manager at ECM, its Dutch agent. "We can show what a product is like while we talk about it."

Andrew Fisher

The rise and rise of client/servers



Source: Deloitte Touche

Mainframe reborn

IBM is jumping on the client/server bandwagon by adapting its existing technology, writes **Louise Kehoe**

In the corporate computing world, the mainframe computer is the symbol of a bygone era; a legacy of the days when the data processing department strictly controlled access to computers housed in a big air-conditioned glass room.

Networks of low-cost personal computers brought democracy to information processing in the 1980s, putting computers at the command of individuals. Yet, as many companies are finding out, managing that democracy is more complicated and expensive than they expected.

Open "client/server" computing has not achieved the nirvana of lower costs and greater efficiencies that the computer industry promised. Instead, companies face continuing problems with incompatibility between computers, difficulty keeping track of corporate data and rising costs for training and systems management.

Fully 80 per cent of total client/server computer costs occur after the initial purchases of hardware and software, according to US-based Gartner Group, a computer industry market research company. A single $3,000 (£2,054) personal computer linked to a client/server network costs about $40,000 over its five-year life cycle when the costs of training, administration, maintenance and other factors are tallied, the researchers estimate.

Even die-hard networking advocates such as Sun Microsystems, the workstation market leader, now recognise the need for some measure of centralised control over distributed computing systems. "You have to manage the network like a mainframe," says Curt Wozniak, Sun's marketing vice-president. He encourages customers to "pull data back into controlled areas".

Stepping into this milieu with a new-found determination to establish itself as a leader in the client/server market, International Business Machines has seen opportunities to bring its mainframe-world expertise to bear on the complex problems of enterprise-wide, client/server computing.

"Implementing client/server [computing] in a real live customer environment has turned out to be rife with problems. And those problems open a very wide door of opportunity for IBM," says Lou Gerstner, IBM chairman and chief executive.

Gerstner's remarks signal a significant change of heart at IBM, the mainframe computer market leader. Rather than minimising the significance of client/server computing, as it has in the past, IBM is finally jumping on the bandwagon.

A critical element of IBM's strategy is to create links between the old world of mainframes and the new world of client/server computing. Last week it introduced a new generation of "large-scale computers" (no longer called mainframes) specifically designed to work as "servers" on networks.

In a radical departure from traditional mainframe designs, the new IBM systems are built on microprocessor chips manufactured using the same semiconductor technology as those found in personal computers. These powerful chips are linked to work in parallel on a computing task, like a fleet of tugs pulling an ocean liner.

The advantages of parallel processing are twofold. Customers can increase the power of a parallel processing system in small increments by adding a few processors, rather than having to purchase expensive mainframe upgrades. Also, because the new IBM parallel systems are based on microprocessor chips, they can be expected to follow similar price decline and performance improvement trends to those seen in the personal computer and workstation segments of the market.

The most important new offerings from IBM are two parallel computing servers built around chips that emulate the brains of the company's traditional mainframe products. The S/390 parallel transaction server and the S/390 parallel query server can run the same software as IBM's traditional mainframe computers, hiding the complexities of parallel processing from users and software developers.

The transaction server is designed for applications such as credit card processing, ticketing and banking. The query server elicits new information from existing data. A company might, for example, mine its customer database for clues to the potential of a product.

The new servers can be coupled to existing IBM mainframe computers so that the new and old machines work together like a single computer, automatically balancing the workload and sharing data.

This facility, which IBM calls the parallel sysplex, is "as significant as any technology we have announced since the introduction of the 360 [the first IBM mainframe] 30 years ago", says Ned Donofrio, IBM vice-president and general manager of the large-scale computing division.

The parallel servers give the mainframe a new lease of life, he explains. With the introduction of a new 10-processor mainframe last week, IBM's line of conventional mainframes may have reached its peak. "We are not sure if we can go to 12 or 14, but we are sure that the way we are scaling [the parallel systems] will enable us to move to almost limitless numbers of microprocessors while preserving all of the programming, all of the skill and the infrastructure that our mainframe customers have built," says Donofrio.

"These systems deliver what customers tell me they want: lower cost, more power and protection of their existing $1 trillion investment in software," he adds.

Indeed, the high prices of mainframe hardware and software, along with the need to link different types of computers in a seamless network, have created strong impetus behind the shift to client/server computing. So by reducing mainframe hardware and software prices IBM might aim to slow the trend away from mainframe computers.

Yet IBM is no longer counting on client/server computing being a temporary fad. Instead, it has designed its new parallel processors to link to networks. The company last week announced a new version of its mainframe computer operating system, MVS, with "open" features that will enable mainframes to run the Unix applications favoured in client/server systems.

IBM also introduced a Unix-based "Powerparallel" system, based on the same microprocessor technology that it uses in its latest workstations. The SP2 is an outgrowth of IBM's massively parallel supercomputer, introduced a year ago. The new computer will run "nearly all" of the 10,000 applications programs available for AIX, IBM's version of Unix.

By applying the latest semiconductor and software technologies to large-scale computers, IBM has created a new perspective on the benefits of client/server computing. Rather than killing off mainframe computers, client/server networks may increasingly incorporate mainframe-like features and some mainframe computers.

Technically Speaking

Costly resistance to telecommuting

By Tom Foremski

Advances in technology make it easier for many companies to convert some of their office staff into telecommuters. They thereby gain a competitive advantage through lower operating costs and more productive staff.

But while technology such as compact desktop computers, E-mail and fax machines makes fitting telecommuters into the office network relatively easy – and cheap video conferencing systems are just around the corner – management attitudes are still stuck in the past.

Jack Nilles, president of California-based management consultants Jalla International and the person who coined the term telecommuter more than 20 years ago, says many managers do not know how to supervise staff unless they can see them.

In telecommuting (or teleworking) employees come into the office one or two days a weekand spend the rest of their time working from home. For companies, there are clear advantages. Supervision of staff is reduced and savings can be made on overheads such as office space and parking space. Happier staff means lower turnover and thus savings from reduced recruitment and training costs. And teleworkers tend to work harder and longer hours when at home. For staff working mainly from home, the benefits are obvious: more productive time with less commuting; lower travelling costs; and control over their own working time.

Companies that can learn to manage teleworkers are thus likely to achieve greater flexibility in their operations. But teleworking should not be seen as simply a more progressive way of working. Moving workers into the home also means transferring the responsibilities of maintaining an office space and certain management functions to the teleworker. Once teleworkers are established, they are just one step nearer the status of independent contractors.

By employing such contractors, companies transfer even more responsibilities to the teleworker – tax payments and, more importantly in the US, individual responsibility for health benefits, a major business cost. Companies also gain greater flexibility in hiring and firing as many teleworking contracts are limited to single projects. Already in the US, temporary workers and independent contractors are the fastest-growing sector of the labour market.

While this growth is mostly among blue-collar jobs, telecommuting technologies are now helping to turn many white-collar and professional workers into independent contractors. Book publishers are a good example of this trend. Many now contract out most of their requirements such as editing, book layout and design to a host of independent contractors.

As the US and Europe lay the foundations for electronic information superhighways, many other companies in different sectors will be able to convert staff roles into independent contractors. Initially, such contractors will be able to earn higher incomes than their office-bound colleagues tied to one employer. But the technology enabling them to work from idyllic countryside locations will result in competition among contractors – and from locations around the world.

In the US, there are several incentives for companies to increase their teleworkers. The recent earthquake in southern California and the damage to its motorways has led to a rise in teleworking in an area that already had a high proportion to begin with.

The US Clean Air Act specifies that companies with more than 100 staff in 11 US states with high air pollution must seek ways of reducing employee car use or face stiff fines. Many companies complain about the increased burden of complying with such regulations. But those that view this as an opportunity to employ more telecommuters will learn valuable lessons on how to manage a mixed workforce. Rival European companies should keep a close eye on what this does to US productivity.

Close up on Tintoretto

William Packer visits the Accademia and the Guggenheim in Venice

No one [redacted] things to see in Venice, [redacted] then why not pile Pelion on Ossa, given the chance? Certainly the current programme of special exhibitions is as strong as ever, quite apart from the remarkable exhibition of architecture at Fiat's Palazzo Grassi, *The Renaissance: from Brunelleschi to Michelangelo* (to be reviewed later).

This, in Venice, is the year of Tintoretto, the 400th anniversary of his death at the age of 76. The Commune di [redacted] is marking the moment with wide publicity of itself as the City of Tintoretto, drawing attention to the many works hung in its churches and ancient institutions and, until *May 1*, showing a group of the religious paintings in the Church of San Bartolomeo, near the Rialto. The principle celebration, however, is of Tintoretto the portrait painter, now on show at the Accademia.

Tintoretto, with Titian, his master, and the somewhat younger Veronese, completes the commanding trio of [redacted] artists [redacted] forms and dominates our view of Venetian painting through the greater part of the 16th century. Which was the greatest? Titian, who, some would say, in his great old age, was the first modern painter; Veronese, the virtuoso, pittore sovrano di Venezia, as the plaque on his house near San Samuele would have it; or Tintoretto himself, with his driving *expressive energy and* emotional force? Who would say?

All three of them were portrait painters on the side – and in the *middle as well, for with the model* used even *for* [redacted] idealised figures of any devoti[redacted] composition, the donors – sponsors as we would say – required their own personal, if [redacted]eral commemoration. The *family* kneeling at the sacred throne, one head turned perhaps to look us directly in the eye, is ever poignant and humane.

But [redacted] smaller single and private portrait will always bring us closer to the artist himself in his practical working of the image, just as it allows us closer to the surface of the canvas. Here is the artist alone and himself. And what we find here in Tintoretto *is a certain crudity and awkwardness*, almost a naivety in the immediate *drawing and handling* that never leaves him. The odd thing is that we find these qualities being not so much overcome as turned to advantage.

Sophistication and an easier naturalism come with experience, but always [redacted] will [redacted] the commitment and attack, that saving determination to get the mark and thus the image down, to make it real and to make it work. It is moving and inspiring to follow an artist as he moves towards true greatness by sheer force of character. What a pity it is that the two self-portraits, in youth and old age, are not hung side by side. The boy is father to the man.

The short walk beyond San Vio takes [redacted] Guggenheim's Palazzo Venier [redacted] into another world and another age. *Her* collection of modern international art, prime Ernst, Miró, Picasso, Giacometti and the rest, remains the draw it always was, but changes are afoot. It is not that the emphasis is to shift away from the collection as such, with its strong personal flavour, nor should it, ever. But with pressure from visitors continuing to grow, the need for more *space*, if only to maintain the peculiar character of the place, is undeniable.

The opportunity has been taken to acquire much of the property behind the Guggenheim, over the garden wall. The central portion was taken over some time ago and has already been *converted into shop and temporary* gallery, with the café to open this summer. The intention is thus to concentrate offices and services, with the *old Palazzo* returned as much as possible to its old self.

Along with this comes the opportunity to make rather more of temporary exhibitions. Two such are now on show. *Italian Artists' Books in the 20th Century*, already shown at the Museum of Modern Art in New York, is a rich documentary display that makes the useful point that artists everywhere, and not just in Italy, continue to be intrigued by the relation of image to text, and the creative collaboration between artist and writer. Artists represented range from de Chirico to Clemente.

Josef Albers: glass, colour and light is a small but substantial retrospective study. Drawn principally from the holdings of the Josef Albers Foundation in Connecticut, it lays a fresh and proper emphasis on Albers' early development in his years at the Bauhaus in the 1920s and '30s, first at Weimar and then at Dessau. Albers died in 1976 at the age of 88. He moved to America in 1933, where he spent the rest of his life, engaged after 1950 *in endless colour variations upon* his "Homage [redacted] the Square", [redacted] simple squares inset in [redacted] uniform for[redacted]. With his post-war reputation resting on this American minimalism, it is useful to be reminded of the European constructivist [redacted] from which he came, with Klee, [redacted] Mondrian the [redacted] obvious and notable [redacted]

■ Jacopo [redacted] lerie [redacted] until July 10, then on [redacted] Hyundai Automobili Italia and Ramazzotti. Josef Albers: Glass, Colour & Light; Peggy Guggenheim Collection, until July 10. Italian Artists' Books in the 20th Century; Peggy Guggenheim Collection, until May 22.

Portrait of a thirty year old warrior in [redacted] by Tintoretto

Ballet/Clement Crisp

Fall River Legend

T[redacted] story [redacted] Borden ("Eighty-one things [redacted] bright girl can do with an axe") has all the ingredients [redacted] step-mother; potential [redacted] – Lizzie thought [redacted] her father would disinherit her; sexual tension; a final explosion [redacted] a stifling [redacted] in [redacted] repressive community. [redacted] mystery [redacted] who killed Lizzie's father and step-mother – for Lizzie was acquit[redacted] – *is no mystery at all, and* Agnes [redacted] Mille's [redacted] old *barn-stormer*, [redacted] *River Leg*[redacted] rightly presents Lizzie [redacted] *now* [redacted] Birmingham Royal Ballet's *repertory – I* [redacted] *it* [redacted] *the BRB* [redacted] *Thursday* – and [redacted] pany [redacted] it up [redacted] and *strong*.

[redacted] dubious choreographic stuff, [redacted] *fustian* [redacted] *astutely* judged. Motivation trails its [redacted] *throughout; characterisations* are blatant, and [redacted] rarely [redacted] of [redacted] the story [redacted] crack[redacted] *good*, and [redacted] *sight* [redacted] *a* [redacted] clutching an [redacted] give [redacted] *of horror*. The reason [redacted] BRB [redacted] pur[redacted] originally was: [redacted] provide *a stunning* [redacted] *for* [redacted] in 1948 for *Nora Kaye, a* consummate [redacted] with [redacted] over by [redacted] by [redacted] Alonso, [redacted] actually [redacted] performance – [redacted] *I* [redacted] Marion Tait, [redacted] justifi[redacted] staging, [redacted] good.

Tait is a dance [redacted] of rare finesse. She has the right "look" – [redacted] searching *gaze*; [redacted] sense of [redacted] troubled spirit in quest of [redacted] – for Lizzie. As with so many of her finest readings – notably in the [redacted] Millan repertory – we [redacted] as much moved by [redacted] absolute precision of Tait's playing as by her expressive power. She [redacted] never given [redacted] predictable or mechanical performance: everything [redacted] felt, understood, and the dance [redacted] been no [redacted] honest and subtle. [redacted] Lizzie, [redacted] takes the stage like [redacted] *diva – the part demands it; Tait can* supply it – but [redacted] gives pur[redacted] *to every* [redacted] us forget much of the *surrounding choreographic chit*-chat. Lizzie's anguish, her [redacted] *being victimised, her* tremulous [redacted] for love *and her sudden malicious* caprices, [redacted] shown with a *sharp, nervously precise out*line [redacted] speaks exactly [redacted] the girl's *spiritual life*.

[redacted] artists – Desmond *Kelly as the father; Samira* Saidi [redacted] mother; Karen [redacted] *as the Step-mother*; Sandra Madgwick [redacted] the child *Lizzie, and, especially, Joseph* Cipolla [redacted] the local priest – *give* [redacted] *welcome depth to paste*board characters. Oliver *Smith's original design is* [redacted] splendid; the Morton Gould [redacted] *a vexation* [redacted] musical sensibilities. The piece is [redacted] *for Tait*: [redacted] *drives it* [redacted] glory – [redacted] did Nora Kaye. [redacted] *higher praise* [redacted] possible.

This triple bill also included [redacted] company's honourable [redacted] *Sere*[redacted] MacMillan's [redacted] *Syncopations* – where style could have been [redacted] elegantly sparky, but I greatly [redacted] Yoshida [redacted] Joseph Cipolla.

Theatre/David Murray

My Night with Reg

The title [redacted] Kevin Elyot's new play [redacted] the Royal Court's [redacted] Upstairs [redacted] a barbed joke, for as it turns out almost *everybody* here has had a night with Reg (and enjoyed it thoroughly). Reg has been putting himself about more than his globe-hopping art-dealer lover Daniel ever twigged. But we never meet him: he misses Guy's re-decoration party in scene 1, and by scene 2 he is dead (Aids, of course). Guy's gaggle of gay friends gather there again for Reg's wake, *some* with related worries in their minds.

Two years *on*, the *third* and last scene is sadder still; but *Elyot's dialogue never goes* flabby, always keeps its cool [redacted] *sympathetic wit*. [redacted] comedy is humane, *skilfully economical. Except* for young Eric from Lanca[redacted] barman [redacted] pub, Elyot's [redacted] are all [redacted] and quite well set[redacted] variably well-preserved.

[redacted] plays go, that [redacted] *Night* [redacted] *Reg* [redacted] uncommonly fresh. I [redacted] to apply the standard [redacted] if all [redacted] relationships [redacted] instead, would it [redacted] anything like [redacted] *same frissons*? [redacted] was useless, [redacted] Elyot's people are too thoroughly [redacted] *in* [redacted] sexual milieu to be transposable. [redacted] sensible, independent [redacted] with *real-life jobs. They don't go in* for luvvie-talk, bitchery or campery: *they inhabit no pre*tend-"special" world [redacted] would [redacted] them apart.

That is what provides the *frisson*. Only their effu[redacted] hugs and [redacted] goodbye, [redacted] their [redacted] about [redacted] love-lives, stretch [redacted] norms [redacted] ordinary [redacted] conviviality. [redacted] nice, houseproud, frustrated Guy, [redacted] is something in advertising, [redacted] as a [redacted] "stereotype" – exquisitely [redacted]-deprecating [redacted] rendered by David Bamber – merely in [redacted] that there really are [redacted] lot [redacted] Guys about.

As the *promiscuous* old chums who [redacted] him [redacted] university, *John* [redacted] *plays* [redacted] flamboyant Daniel [redacted] *Anthony Calf* [redacted] *plausible pub*lic-school hero. Not only [redacted] *wield a* [redacted] *golden-boy* smile, but [redacted] sustains it *through the entire* [redacted] superhuman stamina. *They both* [redacted] *into their own* [redacted] end, with [redacted] intimate *grief* [redacted] *they prefer* [redacted] to [redacted] sharing.

For cross-class contrast, we [redacted] the odd couple [redacted] Bernie *(Roger Frost) – prissy, unat*tractive and deeply boring – *and his grizzled partner* [redacted] (Kenneth Macdonald), a randy *bus-driver. The maturing* [redacted] young [redacted] (Joe Duttine) [redacted] *by scene, from hired handy*man [redacted] guest [redacted] ambi*tious* [redacted] *publican, makes* [redacted] bright thread, not least [redacted] all [redacted] strike him [redacted] irretrievably [redacted] *About such discomfiting* [redacted] of life Elyot's play is unblink*ingly fair, and very funny*.

Why Janáček is out of fashion at home

Czech opera houses are opting for Verdi and the quick buck nowadays, says Andrew Clark

It is Monday night in the Moravian city of Brno, [redacted] the composer *Leoš Janáček* lived, worked and died. The municipal theatre which bears his name is presenting a [redacted] production of *Kátya Kabanová* but the auditorium is half-empty. The [redacted] says Czech audiences are not interested in Janáček – "they want Verdi, they want specta[redacted], they want entertainment".

In Prague earlier this season, a new production [redacted] *The Makropoulos Case* was taken off the National Theatre's programme after a handful of performances, the last of which attracted just 27 paying customers. At the State Opera, the title role in *Jenufa* is sung not by [redacted] Czech soprano but a Romanian. Neither company has plans for [redacted] new [redacted] production in the foreseeable future.

While packed houses in London, Paris and New York applaud international casts performing Janáček in a language few understand, the tradition in his own country is dying away. Young Czech conductors and singers are focusing on popular repertoire which will bring them foreign engagements and easy money. Sec[redacted] from the [redacted] and the former [redacted] empire fill the [redacted] accelerating the break with [redacted] tradition.

For much of the postwar era, Czech [redacted] exposed [redacted] through cheap tickets and factory outings. Now they spend their free time watching television or nurturing private businesses. "We know in advance that Janáček will be empty and Verdi will be full," observes Tibor Varga, Brno's [redacted] "We want to perform Janáček but if we [redacted] on [redacted] to empty houses, the city would [redacted] our subsidy. Under Communism, the people had no ideas, no problems. The unions bought the tickets and [redacted] busloads from everywhere. It didn't matter what we played, it was an outing for them. The public is different now. They don't see art as a spiritual outlet, they no longer get free tickets. They want a show."

Janáček scholars from around the world still flock to Brno to study the collection of original manuscripts at the Moravian Museum. This is where Charles [redacted] discovered [redacted] *Kátya* and the original score of *Jenufa*, which had been ignored by Czech conductors; where British Janáček expert John Tyrrell selected texts for his recently-published translations of the composer's correspondence with [redacted] Stösslova the woman [redacted] inspired his Indian [redacted] creativity.

'Instead of building for the future, Czech theatres [redacted] *destroying the link with the past'*

But few people make the journey to Brno in the hope of hearing a well-preserved performing tradition. The new shoe-string production of *Kátya* offers one classic piece of casting – the veteran bass Richard Novák as [redacted] – [redacted] well [redacted] of [redacted] clipped Moravian song-speech which informed Janáček's compositional style. But [redacted] little [redacted] that Brno was once a beacon of Janáček interpretation, long before his music became familiar in the West.

When Janáček died in 1928, he left a group of interpreters with an instinctive understanding of his work – men like Břetislav Bakala, Václav Talich, Zdeněk Chalabala and Jaroslav Vogel. They in turn spawned a postwar generation of interpreters. In Brno, František Jílek forged new ground with a cycle of Janáček operas in 1958, repeated in 1978 – after which, in the words of Brno musicologist Alěna Nemcová "things began to slide. Conductors today are no longer willing to devote the time to it, to work with singers on it. *No-one is being encour*aged to carry forward the tradition."

[redacted] postwar generation [redacted] Janáček specialists, only Bohumil Gregor is still alive and active. Like several of his contemporaries, he was steeped in Janáček by the time he reached Prague, because he had served a long apprenticeship in the provinces. He bemoans the fact that this kind of lengthy preparation is no longer possible, that Czech theatres have given themselves over to fail-safe repertoire like *Aida*, *Madama Butterfly* and *The Bartered Bride*.

"They live from day to day," comments Gregor, whose Janáček performances during the National Theatre's visit to the 1964 Edinburgh Festival won him an international reputation. "They want to do it the quick way, the [redacted] way – [redacted] as a [redacted] commodity, managements following rather than leading. Instead of building for the future, they're destroying the link with the past."

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

Concertgebouw Tonight: Yevgeny Svetlanov conducts Hague Philharmonic Orchestra in works by Stravinsky and Brahms. Tomorrow, Thurs, Fri: Riccardo Chailly conducts Royal Concertgebouw Orchestra in Mahler's Seventh Symphony. Thurs, Sat (Kleine Zaal): Carmina Quartet. Sat afternoon: Frans Brüggen conducts Radio Chamber Orchestra in Mozart and Beethoven, with piano soloist Maria Tipo. Sun afternoon: Jan Willem de Friend conducts Combattimento Consort in works by Zelenka. Sun evening: Radu Lupu piano recital. Next Mon, Tues: Kurt Masur conducts Leipzig Gewandhaus Orchestra in Mendelssohn, Schumann and Schubert, with piano soloist Martha Argerich (24-hour information service 020-675 4411 ticket reservations 020-671 8345)
Beurs van Berlage Fri, Sat: Philippe Entremont conducts Netherlands Chamber Orchestra in works by Ravel, Lutoslawski and Loevendie. Sun: Isabelle van Keulen violin recital (020-627 0466)
Muziektheater Thurs, Sun afternoon: Edo de Waart conducts Harry Kupfer's production of Salome, with Josephine Barstow and John Bröcheler (in repertory till May 3). Fri, Sat, Sun evening: Nederlands Dans Theater [redacted] 5455)

■ BASLE

Stadtcasino Tomorrow, Thurs: Nello Santi conducts Basle Radio Symphony Orchestra in works by Wagner, Krommer and Tchaikovsky, with oboe soloist Christian Schmitt (061-272 1176)

■ BRUSSELS

Monnaie A new production of Peter Grimes opens next Tues, staged by Willy Decker and conducted by Antonio Pappano, with a cast headed by William Cochran, Susan Chilcott and Gregory Yurisich. Repeated April 22, 24, 27, 30, May 3, 5, 8, 10 (02-218 1211)

■ CHICAGO

Valery Gergiev, artistic director of the Kirov Opera, conducts Chicago Symphony Orchestra at Orchestra Hall on Wed, Thurs, Fri afternoon, *Sat and Sun*. The programme consists of works by Musorgsky, Prokofiev, Tchaikovsky and Borodin (312-435 6666)

■ GENEVA

Grand Théâtre Tonight: Marjana Lipovsek song [redacted] Tomorrow, Fri, Sun and next Tues: John Nelson conducts concert performances of Berlioz's Béatrice et Bénédict, with cast led by Liliane Bizinèche, Alison Hagley and Kurt Streit ([redacted]-311 2311)
Théâtre de Carouge Tonight: first night of Ronald Harwood's play Another Time (Temps contre Temps), in a production by Théâtre de l'Atelier de Paris. Daily except Mon till April [redacted] (022-343 4343)

■ GHENT

de Vlaamse Opera Sun: Silvio Varviso conducts first of four performances of Hans [redacted] production of Lohengrin, with cast led by Gösta Winbergh, Andrea Trauboth, Oskar Hillebrandt and Ruthild Engert (091-225 2425)

■ THE HAGUE

Dr Anton Philipszaal Thurs and Fri: Yevgeny Svetlanov conducts Hague Philharmonic Orchestra in Beethoven's Third Piano Concerto (Michael Roll) and Sixth Symphony (070-360 9810)

■ LAUSANNE

Théâtre Municipal José van Dam sings his first Scarpia in [redacted] new production of Tosca opening on Sun, conducted by Maurizio Arena, with Adriana Morelli as Tosca and Neil Rosenshein as Cavaradossi. Repeated April [redacted], 23, 26, 28 (021-312 6433)

■ VIENNA

MUSIC

Staatsoper Tonight, next Mon: Il barbiere di Siviglia. Tomorrow, Sun: Entführung. Thurs: Kenneth MacMillan's ballet Manon. Fri: L'Italiana in Algeri. Sat: Cav and Pag (51444 2955)
Musikverein Tonight: Sergiu Celibidache conducts Munich Philharmonic Orchestra in Bruckner's Eighth Symphony. Tonight, Thurs (Brahms Saal): Peter [redacted] song recital. Tomorrow, Thurs, Fri, Sat: Andrew Davis conducts Vienna Symphony Orchestra in works by Berg and Bruckner, with soprano Yvonne Kenny. Sun: Lithuanian Chamber Orchestra plays Haydn, Mozart and Tchaikovsky. Next Tues and Sun: Christa Ludwig farewell recitals (505 8190)
Konzerthaus The Spring Festival runs till May 8 and focuses on music *from the Czech Republic. Tomorrow:* Prazak Quartet plays string quartets by Smetana, [redacted] and Dvorak. Thurs: Horia Andreescu conducts Austrian Radio Symphony Orchestra and Arnold Schoenberg Chorus in concert performance of Janacek's The Adventures of Mr Broucek, with cast headed by Heinz Zednik. Fri: Igor Oistrakh violin recital. Sun: Gerd Albrecht conducts Czech Philharmonic Orchestra in works by Martinu, Viktor Ullmann and Brahms, with piano soloist Igor Ardessef. Mon: Dawn Upshaw song recital (712 1211)

THEATRE

Repertory at the Burgtheater includes Brecht's Caucasian Chalk Circle directed by Ruth Berghaus, Ibsen's Peer Gynt directed by Claus Peymann and a revival of Grillparzer's *dramatic poem* Das Goldene Vlies, directed by Hans Neuenfels (51444 2959). Theater in der Josefstadt has [redacted] new production of John Osborne's The Entertainer (402 5127). Vienna's English Theatre has a new production of Alan Ayckbourn's Relatively Speaking (Josefsgasse 12, 402 1260). Raimund Theater has a German-language version of the Kander and Ebb musical Kiss of the Spider Woman (Wien-Ticket 58885)

■ WASHINGTON

MUSIC/DANCE

■ Britain's Royal Ballet presents Anthony Dowell's production of Sleeping Beauty tonight, tomorrow and Thurs at Kennedy Center Opera House, followed on Fri, Sat and Sun by an Ashton double bill (202-467 [redacted]
■ Joshua Bell gives a violin recital on Sun afternoon at Kennedy Center Concert Hall (202-467 4600)
■ David Zinman conducts Baltimore Symphony Orchestra on Thurs and Fri at Baltimore's Joseph Meyerhoff Symphony Hall in works by Gordon Cyr, Sibelius and Shostakovich, with violin soloist Silvia Marcovici (410-783 8000)

THEATRE

● The Revengers Comedies: Douglas Wager directs Alan Ayckbourn's two-part suspense farce at Arena Stage in the Fichandler. Till June [redacted] (202-488 3300)
■ Forever Ivor: a romantic musical journey back to the early 20th century, written by Nick Olcott and directed by John MacDonald for Interact Theater Company. Till May 1 (202-529 2084)
● Standup Shakespeare: a musical revue setting the entire works of the Bard to Dixieland jazz, baroque and gospel-rock music. April 15-23 at Folger Shakespeare Library (202-544 7077)
● Abundance: Beth Henly's comedy about two mail-order brides in the Wild West. Till April 23 at Signature [redacted] (703-820 9771)

■ ZURICH

Opernhaus Tonight: L'Italiana in Algeri with Vesselina Kasarova and Simone Alaimo. Tomorrow: Die [redacted] and Sat: [redacted] auf [redacted]axos with Edita [redacted] as Zerbinetta. Sun: [redacted] Frühbeck de Burgos conducts Ruth Berghaus' new production of Otello, with cast headed by Frederic Kalt and Daniela Dessi. April 23: first night of Andrei Serban's new production of Adriana Lecouvreur, with Mara Zampieri and Neil Shicoff (01-262 0909)
Tonhalle Tonight, tomorrow, Thurs, Fri: Claus Peter Flor conducts Tonhalle Orchestra and Chorus in Mozart's Missa brevis K194 and Orff's Carmina Burana (01-261 1600)
Schauspielhaus Repertory includes David Mamet's Oleanna, Dürrenmatt's The Physicist and a play by early 20th century [redacted] dramatist Hermann Broch, entitled Die Entsühnung (01-221 [redacted]

ARTS GUIDE

Monday: Berlin, New York and [redacted]
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV
(Central European Time)

MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super [redacted] FT Reports 1230.

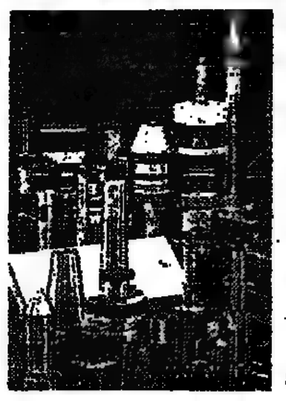
TUESDAY
[redacted] FT Reports 0745, 1315, 1545, 1815, 2345

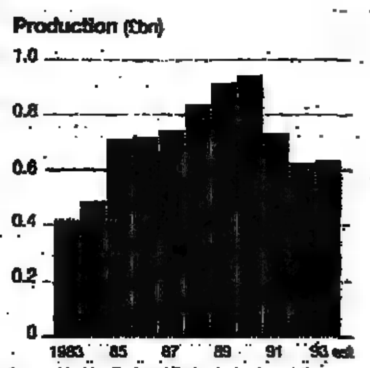
WEDNESDAY
NBC/Super [redacted] FT Reports 1230

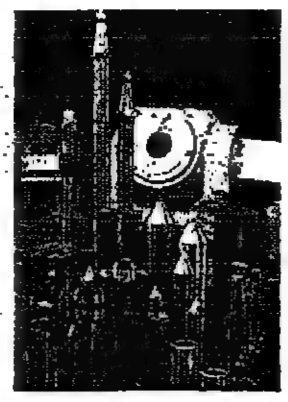
FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports [redacted], 1730;

[illegible] machine tools: cut down [illegible] size







There are ways for machine tool companies to prosper in the UK, says **Andrew Baxter**

Adapt, rejig and survive

As UK [illegible] manufacturers meet this week [illegible] the Metcut [illegible] exhibition in Birmingham – a show intended [illegible] that, after [illegible] of decline and three [illegible] of recession, the industry is still [illegible] – there will [illegible] a [illegible] absentee.

Missing will [illegible] FMT, the [illegible] tool [illegible] in Brighton, Sussex, which since the 1950s [illegible] absorbed companies that [illegible] employed thousands of people. In February it called in the [illegible] month US competitor, Giddings [illegible] Lewis, bought [illegible] of FMT's spares and service business, brand names and intellectual rights – and [illegible] on just [illegible] FMT's employees.

G&L [illegible] yet to decide whether [illegible] continue making FMT machines. If – [illegible] widely expected – [illegible] not, the [illegible] would mark [illegible] of production of large machining centres – big, multi-function machines which drill [illegible] metal components – by UK-owned companies.

Whatever happens, the collapse [illegible] FMT [illegible] to make a mockery of the "show [illegible] strength" slogan chosen by the Machine Tool Technologies Association for [illegible] week's event. "It's [illegible] – [illegible] left at the high-tech end of the industry?" [illegible] one observer.

FMT's demise looks like another example of [illegible] UK machine tool [illegible] on [illegible], joining names such [illegible] Herbert, the Coventry-based company, which was once Europe's largest producer but which closed in [illegible].

[illegible] 1970s, UK machine [illegible] production has slumped, falling in value from £1.4bn [illegible] 1970 [illegible] in 1992, [illegible] prices. The collapse has been due partly to the decline of UK manufacturing. But it [illegible] reflects the [illegible] of overseas machine tool [illegible] panies, particularly from Germany and Japan: imports have risen to more than 50 per cent [illegible] UK machine tool consumption, and the [illegible] is fiercely competitive.

Typically, British machine tool companies have [illegible] severely – or [illegible] sub[illegible] of foreign companies, such [illegible] Bridgeport and Cincinnati [illegible] of the US, [illegible] Yamazaki [illegible] Japan. [illegible] industry [illegible] scattered around 120 manufacturing [illegible] in the [illegible].

To survive, many smaller machine [illegible] manufacturers [illegible] avoided mass markets dominated by Japanese producers and exploited [illegible] sophisticated technology such [illegible] laser-cutting; [illegible] in under-exploited [illegible] as manual, non-computerised machines; [illegible] in [illegible].

[illegible] of [illegible] examples [illegible] niche approach [illegible] Renishaw of Gloucestershire, which last month reported half-year pre-tax profits of [illegible] on [illegible]. It [illegible] become a world [illegible] in tiny measurement probes, which [illegible] tools [illegible] check they [illegible] cutting components correctly.

Larger companies can still compete with foreign competition. For instance, 600 Group this week launches [illegible] new CNC (computer numerical [illegible] trol) lathe, aimed at small engineering companies. However, it has gone through a a painful restructuring of [illegible] lathe manufacturing operation, including the closure in 1992 [illegible] Colchester plant which employed [illegible] people.

But FMT [illegible] different. Though small, it [illegible] stay in the [illegible] production competing directly [illegible] the large machining [illegible] built by Japanese, continental European [illegible] companies.

FMT's [illegible] receivership [illegible] from 1990, when Iraq [illegible] UK Department [illegible] Industry [illegible] export [illegible] Iraq, costing the company [illegible] in [illegible] orders. Then [illegible] the [illegible] recession, [illegible] further [illegible] its order book.

In response [illegible] pressures, FMT drew up [illegible] two-pronged business strategy: moving from Brighton [illegible] and forging joint ventures [illegible] exploit growth opportunities in China [illegible]. To [illegible] financially, [illegible] proposals depended on securing planning permission [illegible] Brighton [illegible] for [illegible] by [illegible].

[illegible] in February it [illegible] that there [illegible] delays [illegible] permission [illegible] granted. FMT's bank, the Midland, [illegible] the company's borrowing [illegible].

[illegible] for the industry [illegible] tool builders [illegible] survive [illegible] the mainstream market – and it is even more difficult without [illegible] backing of larger, international groups. FMT [illegible] annual [illegible] of just £7m when it [illegible] receivers. Financing [illegible] crucial, because of the long lead-times – [illegible] much as [illegible] months – involved in making large, sophisticated machining [illegible].

Whatever the competitive [illegible] of FMT, however, [illegible] machine tool companies – as [illegible] of [illegible] – would [illegible] be too gloomy about the prospects for companies [illegible] have adapted [illegible] a [illegible] trading environment.

According [illegible] American [illegible] magazine, the UK [illegible] eighth-biggest machine [illegible] producer. [illegible] still [illegible] "good number of innovative, reasonably healthy companies around to maintain our market position", says Mr Simon Brown, director general of [illegible] Technologies Association.

Though [illegible] manufacturers have cut output, there are signs that investment in product development has been spared. For instance, [illegible] Shipman, [illegible] Leicester-based grinding [illegible] producer, [illegible] all [illegible] the components of [illegible] tools, allowing it to concentrate on designing, assembling [illegible] marketing.

[illegible] same time, the [illegible] relatively [illegible] rates, along [illegible] relatively low manufacturing costs, have [illegible] industry's competitiveness [illegible] overseas markets.

Activity [illegible] tool [illegible] has [illegible] picked up. "We are experiencing greater [illegible] markets in the UK, the US [illegible] the [illegible] East. People [illegible] investing in new machines again," says [illegible] Colvin, export [illegible] marketing manager [illegible] Cincinnati Milacron [illegible].

Too late, unfortunately, for FMT. It seems condemned [illegible] become another name on [illegible] long list of machine tool companies that [illegible] not realise soon enough that, [illegible] a competitive industry, strategies for survival have to [illegible] designed [illegible] much precision [illegible] thought [illegible] machine tools [illegible].

Joe Rogaly

The prisoner's dilemma

The [illegible] that can be [illegible] ted from South [illegible] this [illegible] ernment strong enough to [illegible] order and [illegible] enough [illegible] lay the [illegible] a liberal [illegible]. The [illegible] chaos, [illegible] war, [illegible] tion, the [illegible] that [illegible] bilitation [illegible] from [illegible] tip.

The [illegible] of [illegible] pair [illegible] anticipations [illegible] philosophically improper. [illegible] nothing [illegible] democracy, [illegible] rights, [illegible] cutting a [illegible]. It implies [illegible] over-mighty government [illegible] of Malaysia [illegible] Singapore. It suggests autocracy: a controlled, censored, or obedient media; an absence of those civic [illegible] in which [illegible] luxuriate; an [illegible] willingness to deploy [illegible] security [illegible] wherever [illegible].

[illegible] really [illegible] struggle against apart[illegible] is [illegible] achieve? Probably. This foreboding [illegible] expressed without relish. Nobody, [illegible] of [illegible] privileged [illegible] enjoy something better, [illegible] a [illegible] on post-apartheid [illegible]. The world's hope [illegible] republic, [illegible] goal [illegible] should [illegible] to strive, must [illegible] a peaceful, open, democratic polity [illegible] "new South Africa". Many intelligent, [illegible] Africans clearly harbour such a vision. Pray that they are right. It is, however impossible [illegible] maintain [illegible] that such [illegible] fairy-tale ending [illegible] imminent.

For a start, [illegible] received wisdom [illegible] those close to [illegible] of the republic [illegible] the appalling bloodshed, the killings of supporters [illegible] party by another, can only [illegible] a "crackdown". This proposition has [illegible] argued with increasing confi[illegible] past year. The mailed [illegible] will be visible [illegible] government due to [illegible] the end of this month has tidied up the crumbs left behind after the celebration banquets. There will [illegible] no doubt about what to [illegible] Africa [illegible] had years [illegible] practice at "crackdowns", in [illegible] of [illegible] declared, "troublemakers" are [illegible] and detained, and the [illegible] censored. The first step, [illegible] declaration of an [illegible] already [illegible] taken in [illegible].

A long-unanswered question [illegible] white-led security [illegible] would take orders from a black-led administration. The signs [illegible] mixed, but encouraging for those who [illegible] in civilian control of armed forces. It is not clear [illegible] Africa police (the [illegible] and [illegible] mostly [illegible] are [illegible] change [illegible] government. They do, however, [illegible] their [illegible] from. [illegible] are expected [illegible] obey their [illegible] political [illegible]. The S.A. [illegible] has [illegible] it will [illegible] from [illegible] Mr F.W [illegible] Klerk, even [illegible] president [illegible] Congress, Mr [illegible] Mandela, [illegible] visibly pulling the strings. [illegible] were [illegible] Bophutatswana and Ciskei brought into [illegible]. If need be, will kwaZulu [illegible] tackled.

> **It is impossible to maintain the fiction that a fairy-tale ending is imminent in South Africa**

This time [illegible] given by Mr [illegible], as [illegible] new president. When I [illegible] growing up in Johannesburg [illegible] was the embodiment [illegible] non-racial, liberal, demo[illegible] virtue. The South African Communist party, [illegible] ally, [illegible] the only white-led political organisation that could [illegible] wholly relied upon to support [illegible] aspirations. Others in the "[illegible] movement", represented Indians and mixed-race "coloureds". Liberation from apartheid was [illegible] goal [illegible] united all such groupings. [illegible] you believed that that [illegible] an overriding necessity, your support for them was unwavering.

It is different today. I share [illegible] global admiration for Mr Mandela. The Nobel prize for [illegible] sits comfortably upon [illegible] distinguished shoulders. [illegible] does, however, look as if he may [illegible] destined to crown his lifetime's achievement, the overthrow of apartheid, by slamming political opponents [illegible] the very gaols from which he [illegible] other ANC [illegible] recently [illegible] politics and murder [illegible] intertwined in [illegible] Africa, [illegible] may [illegible] said [illegible] option. That [illegible] from [illegible] bitter irony [illegible] what [illegible] in [illegible] him.

[illegible] Africa [illegible] afford a provincial [illegible], as in Katanga, Biafra or Angola. The ANC [illegible] try harder [illegible] a political [illegible] with [illegible] Mangosuthu Buthelezi, chief [illegible] kwaZulu, but it [illegible] be that [illegible] possible. Mediation will only [illegible] if both [illegible] ready [illegible]. But [illegible] Buthelezi, [illegible] darling [illegible] dewy-eyed anti-communist right, [illegible] man [illegible] easily [illegible] with. The ANC clearly [illegible] power over all the territory of the republic. The ANC assumption must be that [illegible] army, the most powerful in Africa, could quell [illegible] rebellion on [illegible] home ground. The elephant, [illegible] Mr Mandela [illegible] taken [illegible] calling his party, is in rampant mood.

It would be comforting [illegible] stand [illegible] from these [illegible] realities and cry out for justice. The truth is that no clear road [illegible] just settlement exists. South Africa will fail absolutely if there [illegible] no [illegible] growth. The economy [illegible] prosper if [illegible] is [illegible]. The imposition of order by [illegible] thus likely [illegible] be a painful prerequisite [illegible] resumption of inward investment, [illegible] a resurgence of the economy. [illegible] that would not suffice. Only [illegible] free market, the proven stimulator of capitalist [illegible] growth [illegible] sufficiently rapid to [illegible] ANC [illegible] keep [illegible] election promises.

Outsiders can read recent [illegible] statements [illegible] Africa's [illegible] begun [illegible] understand [illegible] Mr [illegible] National party formerly prospered by creating state-financed jobs [illegible] Afrikaners. [illegible] it [illegible] a [illegible] convert [illegible] the merits [illegible] private finance. The National party may win [illegible] much [illegible] a fifth of [illegible] vote, perhaps [illegible] a quarter. [illegible] not enough [illegible] temper [illegible] of the ANC. It might be sufficient to be useful if Mr [illegible] perceives the value [illegible] familiar faces in important economic posts. A post-election alliance with Mr [illegible] could produce [illegible] prize winners' signatures [illegible] the [illegible] orders to the [illegible] rity forces [illegible] "pacify" troublespots. Together the old gaoler and [illegible] old prisoner might avert the disintegration of their country. They might also [illegible] potential investors. [illegible] Africa's luck turns.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
[illegible] 071 873 5938. Letters transmitted should [illegible] clearly typed and not hand written. Please [illegible] fax for finest resolution

Gradualism has proved ineffective in Russia

[illegible] Professor Anders Aslund.

Sir, Remarkable things are happening in the Russian economy. Monthly inflation [illegible] fallen from 22 per cent in January to 9 per cent in March, [illegible] production fell by 24 per [illegible] in [illegible] first quarter [illegible] 1994 in comparison with [illegible] first quarter of 1993. This is a severe [illegible] shock.

It is [illegible] by policies intro[illegible] by Boris Fyodorov, the former [illegible] minister, last [illegible] after [illegible] dissolution of the [illegible] parliament. [illegible] abolished subsidised credits and [illegible] the [illegible] to 17.5 per cent [illegible] month, [illegible] is 592 per cent a year, though it is wrongly cited by the [illegible] authorities [illegible] 210 per [illegible] a year. He kept the [illegible] deficit at [illegible] cent [illegible] gross [illegible] product.

A little [illegible] fact is [illegible] Viktor Chernomyrdin, [illegible] prime minister, contrary to his public statements, [illegible] maintained Fyodorov's policy. Last month, [illegible] had [illegible] positive real interest rate [illegible] a month, [illegible] 180 per [illegible] a year, by far the highest in the world. Therefore inflation falls [illegible] sharply.

However, [illegible] macroeconomic [illegible] driven only by monetary policy with [illegible] relatively [illegible] budgetary policy is both socially costly [illegible] difficult [illegible]. Tax [illegible] collapsing because of the tough monetary policy.

Therefore, [illegible] Jeffrey Sachs (Personal view, March 31) [illegible] right in arguing [illegible] a [illegible] balanced, effective and humane stabilisation programme with [illegible] and timely Western support.

Professor [illegible] Desai (Letters, April 6) does not understand that [illegible] prime minister, Viktor Chernomyr[illegible] is delivering an extraordinary [illegible] after too much unintended gradualism. Unlike Desai, he has learnt [illegible] gradualism has proved ineffective.

Anders Aslund,
professor,
Stockholm School of Economics,
Sweden

Wrong line on wages

From [illegible] Barry Leathwood.

Sir, Your leader, "The [illegible] board" (April 8), suggests a substitute mechanism [illegible] Agricultural Wages [illegible] which could be enforced by ejection from the National Farmers Union. [illegible] NFU has enough trouble keeping [illegible] own membership [illegible] certainly would [illegible] no position to discipline those who do not [illegible] the line.

You also suggest [illegible] would be unfair for [illegible] workers to [illegible] pain of deregulation before the farmers have to take [illegible] medicine and, [illegible] doing so, assume there [illegible] equity between them.

Thousands of workers [illegible] live on [illegible] gins of poverty, [illegible] in [illegible] cottages in isolated [illegible], while their employers receive subsidies [illegible] public [illegible] greater than the [illegible] bill. Where is [illegible] equity here?

[illegible] per [illegible] those consulted by [illegible] government, including employers, [illegible] for [illegible] retention of [illegible] boards. Surely [illegible] makes more sense [illegible] retain [illegible] system which, though not perfect, [illegible] supported by [illegible] sides of industry.

Barry Leathwood,
national secretary,
Transport and General Workers Union,
Transport House,
Smith Square,
Westminster,
London SW1P 3JB

Poor view

From Mr [illegible] Phillips.

Sir, Your obituary of [illegible] (Arts, April 11) [illegible] offensively insensitive to [illegible] death of [illegible] 27-year-old man with [illegible] young family. Perhaps [illegible] he made [illegible] wrong, not as evidence of [illegible] character, [illegible] because of what he had created and could have produced.

Mark Phillips,
200 West 15th Street,
New York, NY 10011, US

Dominant force in the bond markets

From Mr [illegible].

Sir, John Plender ("Lull before the battle resumes", April 9/10) [illegible] that, if the dollar remains weak, European bond [illegible] will be [illegible] to decouple from the US Treasury market. [illegible] view is based [illegible] the proposition [illegible] a weak dollar reflects outflows [illegible] long-term capital from [illegible] US into European markets.

This may be the case, but the valuation [illegible] of changes in [illegible] value [illegible] the other way and, [illegible] time, would seem [illegible] the [illegible] dominant force. When [illegible] price [illegible] dollar assets falls, everything else equal, [illegible] price of non-dollar assets will be forced [illegible] fall in line to maintain their relative attractive[illegible] in the dollar, however, [illegible] look more expensive to non-dollar investors. Hence, if [illegible] dollar rises while [illegible] price [illegible] dollar [illegible] falls, [illegible] foreign [illegible] price [illegible] dollar [illegible] remains [illegible] same and [illegible] no need for [illegible] price [illegible] non-dollar [illegible] to change.

In practice, a rising dollar [illegible] another [illegible] of saying that [illegible] decoupling of US and European markets is [illegible] ranted by economic fundamentals, say because [illegible] changing interest rate differentials. Since [illegible] first rise in [illegible] interest rates in early February, European markets have suffered from the fall-out in [illegible] US [illegible] dollar did not rise [illegible] was generally expected. [illegible] the [illegible] couple of weeks, however, the dollar has started to strengthen and some decoupling has taken place.

Mark Brown,
head of [illegible] economics,
[illegible] Govett Securities,
[illegible] Broadgate, London [illegible] 7LE

Where Israel is important to UK's export efforts

From [illegible] Davis.

Sir, [illegible] Norman's excellent article on [illegible] the Israeli economy ("Knocked about but unbowed," April [illegible] important dimension: [illegible] remark[illegible] growth of Britain's trade [illegible] with [illegible] market.

Last year, Britain's visible exports [illegible] £850m, an unprecedented 50 [illegible] cent increase [illegible] the previous year, making [illegible] Britain's 24th-largest export market. So [illegible] growth in exports has increased by [illegible] further 40 per [illegible] and [illegible] averages [illegible] month.

This growth [illegible] occurred almost exclusively in capital equipment and manufactured goods, [illegible] where Britain must focus [illegible] attention in order [illegible] consolidate economic recovery. Israel's sales [illegible] Britain are also growing [illegible] Britain [illegible] currently its second-largest customer after [illegible] US. This year, bilateral trade could [illegible] £2bn.

Israel will import $20bn worth [illegible] goods this [illegible] export $15bn, and Britain's share [illegible] a healthy [illegible] of this market.

The effects of [illegible] Arab trade boycott continue to [illegible] in spite of [illegible], yet it [illegible] that British exporters are increasingly taking advantage of this vital and innovative market.

Helen Davis,
director, Britain Israel [illegible] Affairs Centre,
21-22 Great Sutton Street,
London, EC1V [illegible]

Conflicting interests if BAe articles are changed

From Mr Noel [illegible].

Sir, I rejoice [illegible] first flight [illegible] the British Eurofighter.

I wonder if it will be pro[illegible] – [illegible] worry for British Aerospace if [illegible] isn't. For there is no fall-back, because of its cost, which [illegible] appalling, notwithstanding the Eurofighter's undoubted excellence.

[illegible] project [illegible] admitted [illegible] £33bn, of which £11bn [illegible] R&D. That leaves £22bn to build 453 fighters – [illegible] each, for production only, more [illegible] the UK has to go it alone, [illegible] yet [illegible] cuts [illegible] order for [illegible] worth £12.5bn, a quarter [illegible] public sector borrowing requirement deficit.

Neither the [illegible] Germany, Italy, or Spain is [illegible] mitted to its construction, so securing national and international agreement [illegible] it must involve a struggle.

Consequently, at this of all junctures, BAe [illegible] the [illegible] influential leadership possible. A non-executive American chairman, hired for whatever tiny part [illegible] Bauman's year £50,000 buys, [illegible] the opposite [illegible] what [illegible] essential. Why, [illegible] any event, is John Cahill being ousted when, less than halfway through [illegible] term and with his [illegible] incomplete, [illegible] lifted [illegible] shares fourfold?

The company's articles require that the [illegible] chairman be British, for the sound reason [illegible] of the prime armourer [illegible] our nation is privy to our deepest secrets. Yes, America long stood with us against the Russian hegemony; but the Soviet Union has fragmented and, according to [illegible] the Younger, "nations have no friends, only interests". Inter[illegible] that [illegible] diverging.

Requirements conflict: [illegible] obviously, America wants to sell its aeroplanes in prefer[illegible] to BAe's, [illegible] vice versa. Mr Bauman would have [illegible] be disloyal either to his country [illegible] to the organisation he [illegible] invited to lead.

I beg shareholders concerned for the security [illegible] the nation, and for the future of their company, [illegible] the enabling amendment of its Articles.

Noel Falconer,
[illegible] Bramhall Moor Lane,
Hazel Grove,
Stockport SK7 5JL

FINANCIAL TIMES
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IN BRIEF

Alcatel and Pirelli in Stet sale talks

Alcatel Alsthom, the French telecommunications, energy and transport company, is planning to join forces with Pirelli, the Italian tyres and cables manufacturer, to participate in the privatisation of Stet, Italy's state-owned telecommunications group. Page 20

VW talks over Skoda continue
Talks in Prague between Mr Ferdinand Piëch, Volkswagen chairman, and Mr Vladimir Dlouhy, the Czech minister for trade and industry, failed to resolve differences over the future of Skoda, the carmaker. Page 23

Brazil's float pays off
When investors snapped up shares in BR Distribuidora they were buying into Brazil's largest petrol distributor and a company widely regarded as the best-run subsidiary of Petrobrás, the state-controlled oil company. Page 22

NZ meat plants for sale
New Zealand's two most modern meat processing plants – which lie idle following the collapse of the Fortex group – are to be offered for sale on the international market. Page 24

UK groups aim for east success
Hanson is to set up in Hong Kong, Virgin Megastores are to appear in Hong Kong and China, and a host of UK companies have identified the fastest growing economic zones of the 1980s as their primary target for the 1990s. Page 26

Aer Lingus keeps its hopes in the air
Aer Lingus is banking on a new fleet of European Airbus A330 twin-engine widebody airliners to help return its loss-making transatlantic routes to profit this year. Page 27

B&J gets what everyone wants
The millionaire couple who created What Everyone Wants, the UK discounting chain owned by Amber Day, has come to the rescue of rival Brown & Jackson. Page 26

Copenhagen disappointment
The first trading day of shares in the Copenhagen Airport privatisation issue was a disappointment to investors. The fate of the airport issue was watched with special interest because of the Tele Danmark privatisation issue, which is currently on offer. Back Page

Mixed emotions on Peregrine Investments
If the brash and aggressive merchant banking style of the 1980s survives anywhere, then it is in Hong Kong. And one bank which represents the style best is Peregrine Investments, the brokerage Hong Kong's financial community envies and likes to hate. Page 24

Wood pulp producers push prices
North American and European wood pulp producers are [redacted] advantage of unexpectedly strong paper [redacted] to push through another hefty price increase. Page 32
Jefferson Smurfit, one of the US's biggest recycled newsprint and packaging producers, plans an ambitious $2bn recapitalisation. Page 23

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Berliner Kraft	[redacted]	+	[redacted]
Colonia Konzn Pf	930	+	60
Horten	250	+	7
Metallg'schaft	228.5	+	6.5
Porsche	950	+	25
Zanders Feinpap	235	+	10
NEW YORK ($)			
Rises			
[redacted]	42	+	1¼
Chrysler	52¾	+	1⅜
Johnson & John	39¾	+	2⅛
Nationsbank	51½	+	2⅜
US Surgical	17⅞	+	1
Falls			
Marvel Ent	17⅝	–	1⅜
PARIS (FFr)			
Rises			
Bongrain	3385	+	100
Cr Fonc France	1220	+	37
[redacted]	307	+	12
[redacted]			
GTM-Entrepose	444	–	22
[redacted]	[redacted]	–	[redacted]
SLIC	696	–	25
TOKYO (Yen)			
Rises			
Dai Tokyo F&M	792	+	50
Fudo Constn	668	+	63
Nachi Fujikoshi	[redacted]	+	25
Sumitomo Light	390	+	27
Tsubakim Chain	555	+	[redacted]
Falls			
Central Glass	389	–	17

New York prices at 12.30.

LONDON (Pence)			
Rises			
Acorn Computer	84	+	9
Anglo-Eastern	79	+	[redacted]
Brown Jackson	4½	+	[redacted]
Dickie [redacted]	159	+	9
Dinkie Heel	46	+	6
HSBC (75p shs)	780	+	28
Invesco	178	+	11
Jessups	96	+	8
Land Sec	657	+	22
Pillards	70	+	10
Regent Corp	37½	+	3
Serco	907	+	22
Shanks McEwan	98	+	6
Storm	18½	+	3
Trafficmaster	220	+	[redacted]
[redacted]	140	+	[redacted]
[redacted]	31	+	[redacted]
[illegible] (S)	195	+	11
Falls			
[illegible]	130	–	5
[redacted]	590	–	38
[redacted]	[redacted]	–	11
[redacted]	228	–	7
Virtuality	298	–	11
Yorks-Tyne TV	294	–	[redacted]

International task force tackles issue of disclosing credit risk to regulators in complex markets

Bankers propose derivatives guidelines

By Philip Coggan, Economics Correspondent

A group of leading bankers will shortly produce [redacted] the disclosure [redacted] regulators [redacted] in [redacted] derivatives markets. The framework, which should be finalised within two months, will require banks and securities houses to break down their exposure in the derivatives markets by counterparty and by type of instrument.

[redacted] growth [redacted] derivatives products, [redacted] futures [redacted] options, [redacted] fully aware of the [redacted] involved in dealing in these complex markets. [redacted] losses incurred last year by the German oils and metals company Metallgesellschaft in [redacted] derivatives heightened [redacted] losses might cause a breakdown in [redacted] market.

[redacted] year, Mr [redacted] Lamfalussy, then general [redacted] of [redacted] Bank for [redacted] Settlements, [redacted] for [redacted] drawing [redacted] international standards on risk disclosure for [redacted] dealing in derivatives. [redacted] Lamfalussy [redacted] derivatives [redacted] reduced the transpar[redacted] bank [redacted] an International Monetary Fund study said derivatives had "made it extremely difficult" for regulators to assess the risk of default in the system.

The new proposals have been drawn up by [redacted] of [redacted] world's largest players in the derivatives market. They are [redacted]bers of a task force set up by the Insti[redacted] International Finance, a Washington-based research [redacted] lobbying [redacted] financed by 170-plus member [redacted] from more than 40 countries.

The task force, [redacted] autumn, [redacted] already [redacted] work informally with regulators. [redacted] Dallara, managing director of the institute, said regulators had given "an informal welcome to our efforts and think we are headed in the right direction".

Under the proposed framework, regulators will receive quarterly reports from banks and [redacted] houses. It [redacted] hoped [redacted] system will allow them to spot [redacted] banking [redacted] have become [redacted]posed [redacted] one particular counterparty.

Once the details of the new framework have been agreed by task force members, [redacted] will [redacted] to regulators [redacted] putting [redacted] proposals into practice. While banks will not have [redacted] legal requirement to use [redacted] new framework to report their credit risk, it is hoped that, if the leading players use the system, other market participants will fall into line.

The [redacted] proposals [redacted] only with credit risk, the danger that [redacted] counterparty will fail [redacted]. The topic [redacted] risk – the [redacted] that sharp price moves may undermine the financial position of a market participant – was not examined. However, Mr Dallara said the institute hoped the task force would move on to deal [redacted] that question as well.

Forte and Accor do battle over Meridien Hotels

By John Ridding in Paris and Michael Skapinker in London

Accor, the French travel group, and Forte, the UK hotels group, are vying for control of the Meridien Hotels chain, owned by Air France, the loss-making state owned airline.

Kempinksi, the German group, [redacted] expressed [redacted] in [redacted]quiring the luxury hotels business.

The offer period for bids for the French hotel group closed last night and a decision is expected to be announced following an Air France board meeting on April 28. Air France, which holds a 57 per cent stake in the Meridien chain, is seeking to sell all or part of its holding in the hotel operation as part of a restructuring package. The airline, which lost an estimated FFr7.5bn last year, has debts of about FFr38bn.

Officials at Air France and the prospective purchasers declined to comment on the terms of their offers. But Forte is thought to have made the highest bid with an offer that values Meridien at about FFr1.8bn ($300m). As it is not yet clear what percentage of Meridien will be sold, the eventual cost of a successful Forte bid could be considerably less.

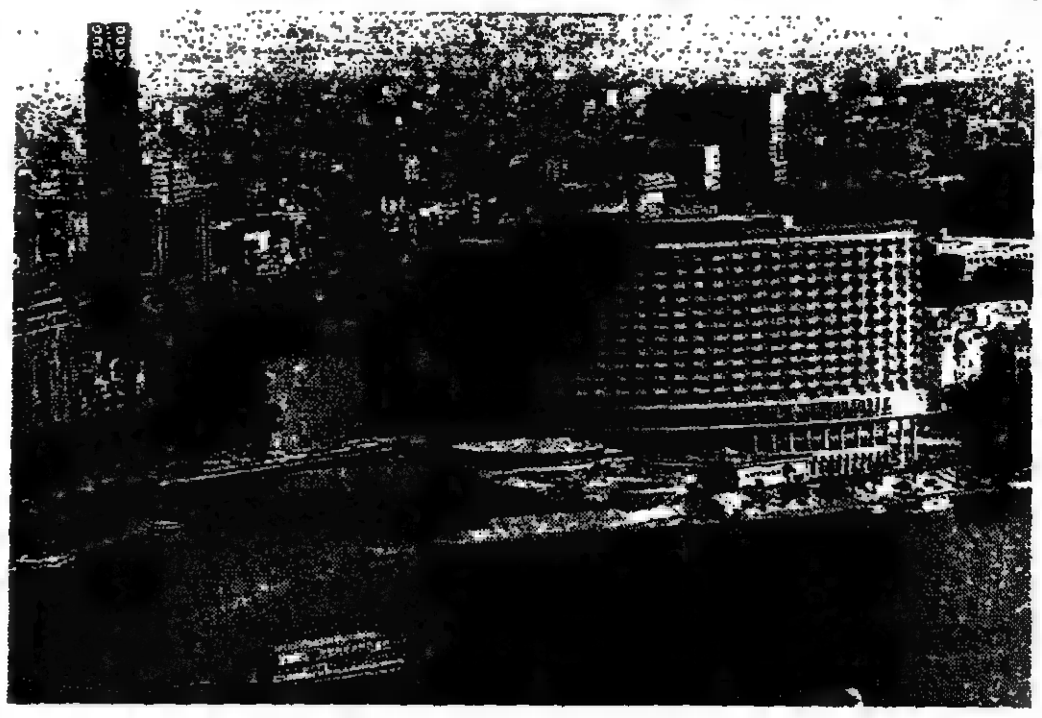
[redacted] earlier this year failed in its attempt [redacted] gain control of Ciga, [redacted] luxury [redacted] group. ITT Sheraton, of the US, topped [redacted] £270m ($394m) bid for Ciga with an offer of L900bn ($548m).

Accor, which [redacted] seeking to merge its luxury Sofitel chain with Meridien's 58 hotels, is thought to have made a cash offer for 40 per cent of the group, which values the whole of Meridien at about FFr1.4bn. Industry analysts in Paris said Accor may have to raise new capital to finance such a deal.

Accor's proposal is [redacted] to emphasise [redacted] benefits to Air France that could flow [redacted] through its travel agency chain, [redacted] the combination of Accor's business travel activities with those of Carlson, of the US.

Industry observers in Paris said that Accor provided the means to keep Meridien under French control, an important advantage. They pointed out, however, that Air France's debts and its need to win approval from the European Commission for a planned FFr20bn capital injection from the French state, could give priority to the financial terms of the deal.

Kempinksi, the third possib[redacted] bidder, has been linked with Meridien before. In 1992, Lufthansa, the German airline, which then held a 42.6 per cent stake in Kempinksi, called off plans to merge the chain with Meridien. Lufthansa subsequently sold part of its stake in Kempinksi to Advanta management, a German investment [redacted]



Tony Andrews

Le Meridien in Cairo, part of a 58-hotel chain in which the controlling stake is up for sale

Sabena swings into loss of BFr4.5bn

By Gillian Tett in Brussels

Sabena, Belgium's [redacted] airline, yesterday [redacted] European [redacted] show a swing into the red for 1993, reporting a BFr4.5bn ($130m) loss compared with a BFr8m consolidated net profit in 1992.

The airline, which is 37.5 per cent owned by Air France, said about BFr1bn of the loss was due to one-off restructuring and redundancy charges. It insisted that the results were "in line with the [redacted] of the plan developed in 1993".

The other components of the loss were a BFr1.5bn fall in turnover caused by fewer flights to Africa; a BFr1bn loss related to currency swings; and a BFr1bn drop in revenue due to price wars between European, US and Asian carriers.

Although it admitted that 1994 would be a difficult year, the company [redacted] it [redacted] optimistic about the [redacted] The restructuring plan [redacted], it [redacted] begun to take [redacted] in the [redacted] half of 1993. [redacted]while, prices had been stabilising and passenger numbers were rising – a record number was carried last year.

[redacted] loss had been widely expected. However, analysts [redacted] that it [redacted] likely to [redacted] questions [redacted] longer-term future.

[redacted] pointed out that although [redacted] government had pursued a fairly [redacted] policy towards the national carrier in the past, attempts to provide fresh aid to Sabena were likely to be opposed by the European Commission, which was adopting an increasingly tough line towards state airlines.

Commerzbank spells out fund-raising plans

By Christopher Parkes in Frankfurt

Germany's Commerzbank yesterday announced an increase of "around a quarter" in 1993 operating profits, and unveiled plans for a DM400m ($233m) capital increase as well as the issue of up to DM2bn of convertible bonds and profit-sharing certificates.

The last of the big three German banks to report also confirmed a promised DM2 dividend increase to DM12. It said the higher payout signalled its confidence for the current financial year, adding that only half the [redacted] attributable [redacted] a reduction in corporate [redacted] rates.

No figures were given for operating profits after provisions for bad risks. A "sizeable amount" of operating income was [redacted] bolster risk provisions – [redacted] not [redacted] tax – [redacted] domestic loans.

Group net earnings were down sharply at DM586.4m, compared with DM837.8m. A spokesman said 1992 earnings had been inflated by extraordinary gains from the consolidation of the group's Berlin business, following the ending of the concessionary tax regime for businesses in the city. Statutory requirements meant all the Berliner Commerzbank's reserves had been counted as profit.

[redacted] capital-raising moves, which were foreshadowed last autumn, followed a DM500m equity rights issue and a DM800m issue of profit-sharing certificates last year. Both measures would be valid until April 30, 1999, the bank said yesterday.

Mr Martin Kohlhaussen, chairman, said last November that the funding was necessary to raise core capital, the basis for future lending growth, from 4.6 to 5 per cent of total assets.

Full details of 1993's record results and the bank's performance so far in the current year are due to be released at a press [redacted] on Friday. As in the case [redacted] Bank and Dresdner Bank, which [redacted] already reported operating profits up 16 per cent and 24 per cent respectively, Commerzbank's [redacted] trading [redacted] expected to have returned markedly improved earnings. After 10 months, profits [redacted] securities trading [redacted] more than trebled.

Robert Corzine describes the oil majors' Russian venture

Ice packs form a useful buffer

The need to operate in extreme temperatures in some of the most desolate and isolated areas of the world is an occupational hazard of the international oil industry. Sometimes, however, such isolation has its advantages.

Yesterday three US oil majors, Texaco, Exxon and Amoco, along with Norsk Hydro of Norway, announced a joint [redacted] assess and develop [redacted] of the vast Timan Pechora basin within European Russia's Arctic Circle. Tens of billions of dollars will eventually be needed to develop the reserves, which the companies conservatively put at 2bn barrels and which Russian experts believe exceed 5bn barrels.

[redacted], which began studying the region in 1990, acknowledged that the project posed an "enormous logistical challenge" in an area that Mr Peter Bijur, senior vice-president, described as "desolate, cold tundra".

The proposed sea terminal – the first in arctic Russia – will have to withstand extensive ice [redacted]s. The special shuttle tankers that the partners envisage using to get the oil to a warmer trans-shipment point will have to be strong enough to break their [redacted] through the ice.

But the very isolation [redacted]tile environment of Timan [redacted] may mean that the consortium will be [redacted] to avoid many of the political problems which have [redacted]ed so many western oil pro[redacted] in Russia.

The absence of a well developed oil infrastructure, such as the one in Siberia, means there is no "single, strong local oil company" of the type which has hindered some other western projects, according to Mr Thane Gustafson, a Washingto[redacted] analyst with Cambridge Energy Research Associates.

The consortium will have a service contract [redacted] Arkhangelskgeologica, a local company which has drilled 130 wells in the area, but there will be no direct Russian equity participation.

Mr Gustafson also points out that the consortium intends to build a dedicated export terminal on the Pechora Sea, thus eliminating dependence on the [redacted] clogged Russian oil transportation system or the need to [redacted]e swaps through Transneft, the Russian monopoly oil transporter.

The political sensitivity of a foreign [redacted] having full control of such a large export project is lessened by the fact that the Russian industry lacks the financial and technological ability to tackle the scheme, which is likely to be in production for up to 50 years.

The consortium has not been entirely free from the poli[redacted] uncertainty which surrounds foreign involvement in Russia's oil industry. "It has been a tortured route" to secure the necessary approvals for the project, according to Mr Bijur. Expert committees have spent three years reviewing the project, and negotiations are still going on with the Ministry of Fuel and Energy over the details of a production sharing contract.

The partners are also seeking approval from the Russian parliament. Meanwhile, assessment work will [redacted]

The location of the exploration project in north Russia

Source: Cambridge Energy Research Associates

Alcatel Alsthom may join with Pirelli for Stet sale

By John Ridding in Paris and Andrew Hill in Milan

Alcatel Alsthom, the French telecommunications, [redacted] and transport company is planning to join with Pirelli, [redacted] Italian tyres and [redacted] manufacturer, to participate in the privatisation of Stet, Italy's [redacted] telecommunications group.

Alcatel said yesterday [redacted] it had "responded favourably" to a proposition by Pirelli [redacted] they should co-operate in the privatisation, but said no for[redacted] alliance had yet [redacted] up. Pirelli declined [redacted] on Alcatel's declaration.

The privatisation of Stet, [redacted] per [redacted] which [redacted] IRI, [redacted] Italian [redacted] holding company, [redacted] expected [redacted] end of the [redacted].

A spokesman for the French group said Alcatel [redacted] keen to expand in Italy, where it [redacted] already the second largest supplier of telecommunications equipment, in spite [redacted] current problems in the [redacted]. However, it will [redacted] up to Italy's new government [redacted] finalise [redacted] for the privatisation, likely to be one of [redacted] and most controversial in the current series of [redacted] by the state.

In August, five [redacted] Italy's [redacted] will [redacted] merged into [redacted] single company, Telecom Italia, which will [redacted] Stet's principal [redacted].

However, the more sensitive question [redacted] the conditions [redacted] the sale [redacted] IRI's stake has not yet been [redacted]. [redacted] week, Mr [redacted] Azeglio Ciampi, outgoing Italian prime minister, suggested that each investor should be limited to 1 per cent of the shares in the privatised [redacted].

Mr Pierre Suard, Alcatel's chairman, has cited difficult conditions in Italy [redacted] in [redacted] as [redacted] of the [redacted] for an expected decline in [redacted] profits [redacted] year. [redacted] spokesman [redacted] down-turn [redacted] largely [redacted] economic conditions [redacted] the market [redacted] strong potential for growth.

An alliance [redacted] Pirelli would [redacted] Alcatel's existing ties with Italian industry. [redacted] holds [redacted] the [redacted] in Fiat, [redacted] has a [redacted] responding [redacted] in [redacted] French group.

Industry [redacted] that [redacted] participate with [redacted] in [redacted] privatisation, although [redacted] officials [redacted] to [redacted].

Roche sales up 6% in quarter

By Ian Rodger in Zurich

Roche, the world's [redacted] highly valued pharmaceutical group, [redacted] consolidated [redacted] rose 6 [redacted] in the [redacted] quarter [redacted] SFr3.7bn ($2.6bn).

The relatively low overall [redacted] was due mainly [redacted] rise of the Swiss franc in [redacted] months against [redacted] currencies, especially [redacted] dollar. Expressed in local currencies, [redacted] per cent, [redacted].

The group's smaller divisions performed significantly [redacted] than the dominant pharma division, [redacted] rose 10 [redacted] in [redacted] SFr2.09bn, [redacted] per cent in local [redacted].

Roche [redacted] top selling drugs – Rocephin, an anti-infection treatment, Dormicum, [redacted] mild anaesthetic, [redacted] treating acne – all showed [redacted] rises.

[redacted] vitamins [redacted] fine [redacted] three [redacted] diagnos[redacted] division [redacted] cent fall in sales to [redacted] as the US government cut its [redacted] for certain laboratory procedures.

[redacted] of fragrances [redacted] 9 per cent to [redacted].

[redacted] publish [redacted] profit figures for [redacted] Tuesday.

[redacted] Technology, [redacted] engineering [redacted] reported [redacted] 11 per cent [redacted] 1993 [redacted] on [redacted] 2 [redacted] in [redacted]. Operating income [redacted] up 7.2 per [redacted].

The directors [redacted] recommending a rise [redacted] from SFr16 to [redacted] per [redacted] or participation certificate.

UK property yields below gilts

By [redacted] Houlder, Property Correspondent

The sharp recovery in [redacted] UK commercial property investment market over recent months has pushed property yields [redacted] gilt yields for [redacted] first time since [redacted].

Property yields, the ratio of income to capital value, have fallen at the fastest pace [redacted] record since institutions returned to the property mar[redacted] in force last year. Since the market's turning point last June, property values have risen by about [redacted] per cent, according to Hillier Parker, chartered surveyors.

The Hillier Parker figures show that property yields fell from 9.2 per cent in May [redacted] 7.3 per cent [redacted] the [redacted] of this month, when long-dated gilt yields stood at about 8 per cent.

The [redacted] of bond [redacted] property yields marks [redacted] new phase in the recovery of [redacted] property market. Until recently, investors principally bought property for the strength of [redacted] existing income, rather than for [redacted] potential rental growth.

The property market was largely driven by [redacted] in [redacted] bond markets, rather than [redacted] strength of tenants' demand for buildings.

The cross-over of gilt and property yields [redacted] of the first period since the 1960s when investors demanded higher yields from property than from gilts.

Cariplo lifts group net profits to L323bn

By Andrew Hill

Net group [redacted], Italy's largest savings [redacted] 4.2 per cent in 1993 [redacted] ($196.95m), [redacted] pared with L310bn in 1982.

[redacted] earnings increased [redacted] per [redacted] to L2,375bn, [redacted] provisions and [redacted] ments, while total [redacted] grew [redacted] per [redacted] L150,893bn.

Cariplo shareholders yesterday [redacted] the nomination of Mr Sandro [redacted] the bank's chief [redacted], as [redacted]. His predecessor, Mr Roberto Mazzotta, stepped down because he faces charges [redacted] corruption relating [redacted] property [redacted] by the [redacted] pension fund.

[redacted] deposits in the [redacted] rose by [redacted] per [redacted] in [redacted] L122,536bn, [redacted] total [redacted] to [redacted], a rise of 11 per [redacted].

● Mr Giampiero [redacted], the Italian industrialist, [redacted] his group's [redacted] in [redacted] Italiano, [redacted] recently privatised [redacted] bank, to [redacted] per cent, the [redacted]. The [redacted] group previously held [redacted] through Luxembourg-based Franco [redacted].

On Saturday Credito's new shareholders will get their first chance to influence the [redacted] bank [redacted] a board [redacted].

Burmah Castrol lifts payout after 18% rise

[redacted] profits of Burmah Castrol, the UK lubricants, [redacted] and fuel group, rose [redacted] per cent to [redacted] for 1983. Profit after [redacted] per cent [redacted] £102.7m, writes [redacted] Bolger [redacted] London.

The group recommends a final dividend of 11p, making [redacted] dividend of 27.5p against 25.25p [redacted].

Castrol intends to offer [redacted] share alternative, [redacted] a 50 per cent premium, [redacted] alleviate advance corporation tax.

Lex, [redacted] 18

Finland steps up privatisation pace

Sell-off programme enters new phase, writes Christopher Brown-Humes

Finland's privatisation programme [redacted] a new phase with the announcement [redacted] two [redacted] industrial [redacted] and Valmet, [redacted] large [redacted] offerings [redacted] inter[redacted] in [redacted] weeks. A sell-off pro[redacted] characterised by [redacted] tion [redacted] hesitancy [redacted] expected [redacted] gain momentum, [redacted] state-owned [redacted] follow [redacted] lead.

"The [redacted] of privatisation [redacted] year [redacted] has been," [redacted] Vuoria, secretary general [redacted] Finnish ministry of [redacted] industry.

Rautaruukki, Scandinavia's second largest [redacted] producer, [redacted] aiming [redacted] ($145m) and [redacted] ownership [redacted] from [redacted] through [redacted] 16m new shares.

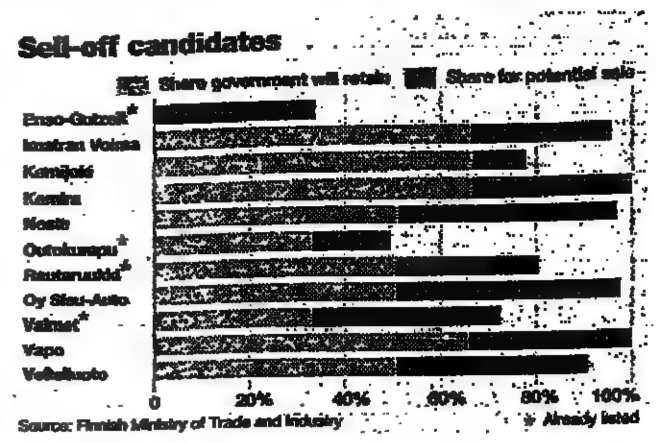
Valmet, one [redacted] world's [redacted] biggest producers of [redacted] machinery, hopes [redacted] raise [redacted] by offering [redacted] 7m [redacted].

But [redacted] only [redacted] 11 names on [redacted] government's privatisation list, companies [redacted] together account [redacted] per [redacted] of Finnish exports [redacted] 15 [redacted] cent of [redacted] force.

Other candidates [redacted] Neste, [redacted] oil [redacted] petrochemi[redacted] Kemira, [redacted] chemi[redacted] group; Outokumpu, [redacted] mining company; [redacted] Enso-Gutzeit, [redacted] pulp [redacted].

[redacted] all 11 companies, [redacted] government has parliamentary authorisation [redacted] reduce current [redacted] ownership levels sharply.

Privatisation has [redacted] to the [redacted] partly because of the gen[redacted] European trend. [redacted] process also recognises that the state cannot afford to finance its siblings, who [redacted] will be



encouraged [redacted] tap [redacted] capital [redacted] for their needs.

Finnish privatisation has [redacted] in other European countries.

[redacted] the [redacted] is more [redacted] widening [redacted] ownership than [redacted] privatisation, [redacted] currently [redacted] to keep more [redacted] 50 [redacted] the [redacted] in all [redacted] companies on [redacted].

Second, [redacted] not [redacted] nering the proceeds, but [redacted] allowing [redacted] companies [redacted] by [redacted] and heavy investment. [redacted] gradual dilution, with [redacted] typically targeting [redacted] and [redacted] tional institutions [redacted] ownership [redacted]. To date, the retail element [redacted] very [redacted].

It [redacted] a very cautious programme: [redacted] been specified, [redacted] target. Kemira, [redacted] to [redacted] privatised 10 [redacted] ago, is [redacted] 100 [redacted] cent [redacted] owned.

One obvious [redacted] slow [redacted] is [redacted] long recession years [redacted] 1991 [redacted] 1993, which dragged many companies into the red and [redacted] share values plunging.

Another [redacted] small [redacted] the [redacted] market. "I don't think we can afford any fail[redacted], taking into account [redacted] of [redacted] Finnish stock exchange," [redacted] Mr Vuoria.

There are still painful memo[redacted] one [redacted] failure: [redacted] Valmet issue in [redacted] crashed [redacted] FM20 from an [redacted] price of FM120. The limited [redacted] market explains why international [redacted] will play [redacted] crucial role in [redacted] of [redacted] privatisation [redacted].

Finally, there [redacted] undoubtedly [redacted] a certain political hesitancy, particularly [redacted] part of [redacted] opposition [redacted] Democrats. [redacted] within [redacted] Party, [redacted] the centre-right [redacted] government, have [redacted] shown limit[redacted] for the pro[redacted]. [redacted] parties worry [redacted] the implications for regional policy and jobs [redacted] companies slip out of state control.

[redacted] not [redacted] that [redacted] significant ideological barriers to privatisation. Finns [redacted] companies [redacted] nationalised; instead their roots originate in [redacted] post-war period when Finland had [redacted] create industrial capacity to pay [redacted] reparations to the [redacted] Union. In the meantime, they have had considerable freedom [redacted] like private companies.

For many companies, the main worry is timing. Having improved their results strongly last year, and after heavy internal restructuring, they [redacted] that market conditions may move against them.

Helsinki was western Europe's top performing bourse last year, rising 91 per cent, but this year conditions have been more unsettled amid [redacted] turbulence which [redacted] swept international bond and equity markets.

However, most analysts [redacted] not believe that the [redacted] price correction will [redacted] the privatisation programme. "I am very positive [redacted] pects," [redacted] Mr [redacted] Cleve, director of Prospectus, an investment banking group.

[redacted] believes that foreigners will [redacted] to be attracted [redacted] Finnish market [redacted] improving [redacted] economy and the much stronger financial performance of the country's big exporters. Mr Cleve also notes that domestic interest in equities is high with interest rates at their lowest levels for decades.

Even if privatisation does move faster this year, the programme is unlikely to be concluded before the end of the decade. At the end of the process, the state says it will only retain a direct holding in companies on grounds of specific national interest.

The government has already indicated [redacted] it will [redacted] ing stakes in companies itself – but not [redacted] it is satisfied [redacted] companies' [redacted] generally [redacted] stronger [redacted] they are today.

France starts pre-placement of UAP shares

By Alice [redacted] in [redacted]

The French government will today start the next phase of its privatisation programme by beginning the pre-placement, [redacted] marketing, of shares in [redacted] de Paris (UAP), the [redacted].

Mr Edmond Alphandéry, [redacted] economy minister, yesterday said that the price of [redacted] issue would be announced within [redacted] next few weeks, with [redacted] timing of the share sale being determined by market conditions.

The [redacted] the state's [redacted] per [redacted] holding in UAP, which is [redacted] than FFr25bn ($4bn), and a capital increase for [redacted] company.

However, institutional investors [redacted] from today place [redacted] orders for shares in UAP, France's biggest [redacted]. The group's employees will [redacted] allowed [redacted] shares.

The economy ministry has already announced that it plans [redacted] more than 11 per [redacted] of [redacted] shares to *noyaux durs*, or "hard core" shareholders.

صكرا من الاهل

GFSA posts 'fine achievement' in third term

By Mark Suzman in Johannesburg

Gold Fields of South Africa yesterday reported an increase in after-tax profit to R441.1m ($89.1m) [illegible] the third quarter to March, [illegible] the back of a higher gold price received, well up on the same quarter last year when profits [illegible] R267.4m.

The figure compares with the R387.7m [illegible] in the December quarter.

Pre-tax figures were even stronger at R626.4m, compared with R530.2m in the previous quarter, reflecting [illegible] solid operating performance from the four mining companies.

The quantity of gold produced was almost unchanged at 30,982kg, against 30,713kg the previous quarter, but [illegible] revenue [illegible] R1.31bn from R1.22bn, boosted by an increase in the [illegible] gold price to R42,156 per kg, up from R39,758, on continued [illegible] of the rand.

Mr Alan Munro, executive director, pronounced the results "a fine achievement in a difficult quarter," noting that [illegible] overwhelming bulk [illegible] this [illegible] was on the group's star performer, Driefontein.

The mine, the country's most profitable, had another exceptionally strong quarter with its [illegible] division increasing [illegible] already high yield to 11.6 grams [illegible] tonne.

Pre-tax profits rose to R405.8m from R329.7m the previous quarter. However Mr Munro warned that such an exceptionally high grade could not be expected to continue for much longer.

Kloof, the other large producer in the group, boosted its after-tax profit to R192.3m from R174.1m.

This improvement came despite the continued loss of production after an accident in one of its shafts and a disappointing quarter from its Libanon division, which posted a loss of R1.1m after last quarter's R3.7m profit.

Troubled Doornfontein maintained after-tax profit at R4.27m compared with R4.33m, but the figures did not include [illegible] R6m award for unfair dismissals which will be paid in the current quarter.

The group's [illegible] producer, Deelkraal, also improved to R15.7m from R14.9m despite a slight dip in its yield.

Mr Munro said he expected the improvement [illegible] continue into the next quarter, but much depended [illegible] the [illegible] this month's elections, both in terms of potential disruptions and the rand gold price.

BR Distribuidora float pays off

Brazil's petrol distributor is proving itself, writes Patrick McCurry

When investors snapped up [illegible] in BR Distribuidora last December they [illegible] buying into Brazil's largest petrol distributor and [illegible] widely regarded [illegible] subsidiary of Petrobrás, the state-controlled oil company.

[illegible] offer, which saw [illegible] per cent of the company sold in non-voting shares mainly [illegible] institutions, BR [illegible] announced [illegible] profits up [illegible] per [illegible] for last [illegible] considering [illegible] of American depositary receipts [illegible].

[illegible] attracted because BR is considered to be a well managed, profitable company with no bank debt. This is possibly because petrol [illegible] long been open [illegible] private competition. [illegible] Petrobrás' exploration and refining [illegible] government monopoly, [illegible] in [illegible] highly competitive [illegible] against some of the world's largest oil companies.

Despite this threat, [illegible] a [illegible] per cent, compared with 22 per cent for its nearest rival, Shell Brasil.

Shortly [illegible] the [illegible], which raised [illegible] for Petrobrás' [illegible] projects, BR announced net profits [illegible] the [illegible] in the [illegible] of December 1993, [illegible] from [illegible] in [illegible].

Financial director Mr Reyn[illegible] Aloy [illegible] the [illegible] was [illegible] higher profit margins following [illegible] partial liberalisation of prices in the oil [illegible] in gross sales [illegible] 8.7 per cent to $6.73bn.

Although the BR [illegible] was oversubscribed, its share price significantly underperformed the São Paulo stock exchange, rising in dollar terms only [illegible] 12 per [illegible] early-March from launch, compared with about 40 per [illegible] the market [illegible] whole.

[illegible] attribute the underperformance [illegible] comparatively high [illegible] price [illegible] for BR shares. These [illegible] at about a 50 per cent premium [illegible] company's per share [illegible] value.

Mr Ronaldo Guimarães, technical manager at brokerage house Banco do Brasil DTVM, which [illegible] initial public offering, [illegible] the [illegible] is [illegible] first, small step [illegible] full privatisation of BR.

[illegible] analysts, however, [illegible] using BR to improve [illegible] own cash flow and may [illegible] by selling more non-voting shares, for example [illegible] mooted [illegible] issue.

Ironically, [illegible] the company may [illegible] it harder to privatise. "Experience [illegible] shown that [illegible] controlled companies with [illegible] shareholders [illegible] harder [illegible] off," [illegible] a Petrobrás source.

Mr Aloy says [illegible] not related [illegible] privatisation: "[illegible] up [illegible] lines of capital in the financial markets and [illegible] show that [illegible] a strong, solid, profitable company."

Apart [illegible] Shell, [illegible] competitor [illegible] Ipiranga [illegible] which last year bought Atlantic Richfield Company's petrol station chain in Brazil, and has [illegible] market share [illegible] about 18 per cent. Esso has 13 per cent and Texaco less than 10 per cent of the market.

Competitors agree that BR is strong and well-managed. However, they attribute part of its success to traditional "captive" government customers, such as the armed forces. This mar[illegible] been reduced recently with the privatisation [illegible] industry.

[illegible] Aloy [illegible] government customers, accounting for [illegible] per cent of sales, buy from the [illegible] competitive service [illegible] biggest distribution [illegible].

According [illegible] Mr Henrique Neves, [illegible] vice-president of Shell Brasil, the opening up [illegible] BR [illegible] Ipiranga's purchase [illegible] Atlantic means even [illegible] competition in the sector. Competition will [illegible] heat up if remaining [illegible] on pump prices [illegible] removed, as the industry expects.

Hugo Boss advances to record

By Michael Lindemann in Stuttgart

Hugo Boss, the biggest German [illegible] designer, yesterday unveiled record profits, up [illegible] per [illegible] to DM76.5m [illegible].

Worldwide sales, though, were 7.8 per cent lower.

Mr [illegible] Littmann, chief executive, [illegible] company would take advantage of [illegible] break and good liquidity [illegible] a one-off [illegible] DM117.50 per [illegible].

[illegible] that [illegible] "difficult environment" meant sales this year were likely to match levels [illegible] last year.

Disregarding the extraordinary items, profits would have been DM48.6m, up 10 per [illegible].

"The 1993 profits [illegible] not repeatable," Mr Littmann [illegible]. "Not now or in [illegible] next 10 years."

On top [illegible] the extraordinary dividend, ordinary shares will receive a DM23 dividend, [illegible] from DM21, while holders of preferential stock will receive DM24.50, [illegible] up DM2.

Mr Littmann blamed the drop in sales on weak markets in Europe and the restructuring of the [illegible] division.

However, Boss labels were a huge [illegible] in new [illegible] markets, where turnover in some cases doubled.

The [illegible] is 50.4 per [illegible] owned by the Italian Marzotto group while the Holy brothers, grandsons of [illegible] founder, still hold [illegible].

Turnover was down 10 per cent on the year before but Mr Littmann said [illegible] influence [illegible].

New HK fund for investment in China launched

By James Harding

A fund investing in [illegible] companies [illegible] in Hong Kong with interests [illegible] China has been launched for European investors.

South Ocean Management, a Hong-Kong based company which has $28.7m of US private investors' funds under management in Hong Kong, is launching Cathay Value Fund, as yet of undetermined size, for investors outside the US.

Allen [illegible] Company, a New York investment bank, [illegible] acquiring 50 [illegible] of South Ocean, which [illegible] founded in [illegible] is headed by [illegible]ard McConnell.

Mr McConnell said he was investing in 43 [illegible] Hong [illegible] companies [illegible] substantial interests in China's southern province [illegible] Guangdong, high growth [illegible] and low price earnings ratios.

He believes the small companies he selects will outstrip larger companies in the Hang [illegible] index.

However, [illegible] US investors' accounts managed by South Ocean grew by [illegible] compared with [illegible] per [illegible] rise [illegible] the Hang Seng.

Cathay Value Fund [illegible] the [illegible] in [illegible] of China-related funds launched [illegible] the past [illegible] years. Mr McConnell, [illegible] manager from New York, told [illegible] group of potential investors [illegible] "Hong [illegible] like the Nasdaq [illegible] share [illegible] in [illegible]."

Goodyear rally extended with 30% income gain

By Richard Tomkins in New York

Goodyear Tire & Rubber, the US tyre manufacturer that has staged a strong recovery over the past three years, yesterday said it expected to report an increase in first-quarter net income of between 30 per cent and 35 per cent above the previous year's figure.

It also announced it was seeking to enter the Chinese market by setting up a joint venture with a company manufacturing and selling tyres in China.

Mr Stanley Gault, chairman and chief executive, told shareholders at the annual meeting in Akron, Ohio, that net [redacted] should [redacted] in the $113m [redacted] range, compared with $87.1m before accounting [redacted] time.

Preliminary estimates suggested first-quarter sales would be 2 per cent ahead of last year's $2.81bn, Mr Gault said.

Earnings per share should be in the 75 to 78 cents range, compared with 60 cents last time.

The Goodyear [redacted] also [redacted] it had [redacted] a [redacted] per [redacted] increase [redacted] the dividend to 20 cents from 15 [redacted] for the first quarter. The company's [redacted] rose by [redacted] $42¼.

Mr Gault attributed the strong first-quarter [redacted] a combination [redacted] new products, cost reductions and efficiency improvements.

The same [redacted] have [redacted] sharp [redacted] in [redacted] company's financial performance [redacted] Mr Gault [redacted] and chief [redacted] in 1991.

The [redacted] modest [redacted] the profit improvement because it included a higher proportion [redacted] tyres for [redacted] prices [redacted] replacement tyres.

Concerning [redacted] group's plan [redacted] China, Mr [redacted] Goodyear [redacted] prefer a joint [redacted]. But [redacted] had [redacted] approached by Chinese provinces seeking to interest it in a greenfield venture – an option Goodyear would consider if no suitable partner could be found.

Euro Disney syndicates meet over rescue plan

By Alice Rawsthorn in Paris

[redacted] of [redacted] Disney loan syndicates yesterday [redacted] company's Japanese [redacted] Paris in [redacted] to persuade [redacted] plans [redacted] the [redacted] leisure group's FFr13bn [redacted] rescue [redacted].

Most [redacted] the [redacted] banks in [redacted] Euro Disney syn[redacted] in principle [redacted] rescue. Banque [redacted] de Paris (BNP) [redacted] Banque Indo[redacted], joint [redacted] of [redacted] steering committee, hope [redacted] Friday [redacted] the agreement.

But [redacted] yet [redacted] terms for underwriting [redacted] Japanese [redacted] of Japan, [redacted] Trust, Sumitomo, Bank [redacted] Tokyo and [redacted] – [redacted] reluctant to be involved with the underwriting.

The Japanese banks yesterday pressed BNP and Indosuez for exemption from the underwriting. They also urged that the Caisse des Dépôts et Consignations, which is Euro Disney's [redacted] lender, [redacted] play a larger part in [redacted] restructuring.

Jefferson Smurfit in $2bn move to cut debt

By Bernard Simon in Toronto

[redacted] Smurfit, one of the US's biggest recycled [redacted] print [redacted] packaging producers, plans an ambitious $2bn recapitalisation, including a public equity offering [redacted] refinancing a substantial portion of [redacted] debt.

According [redacted] a prospectus [redacted] Securities and Exchange Commission in Washington, the restructuring [redacted] designed [redacted] improve the St Louis, Missouri-based company's operating and [redacted] flexibility by reducing the [redacted] and [redacted] of borrowings, extending debt maturities and strengthening its equity [redacted].

Smurfit, 50 per [redacted] by Jefferson Smurfit Group of Ireland [redacted] by [redacted] equity [redacted] run by Morgan Stanley, has struggled [redacted] heavy weight [redacted] junk bond-financed debt, exacerbated by weak paper and packaging [redacted].

Long-term debt stood [redacted] $2.6bn [redacted] of [redacted] and there [redacted] shareholders' deficit of almost $1bn. The company, with [redacted] of $2.9bn, has suffered [redacted] totalling [redacted] past three years.

[redacted] restructuring [redacted] a [redacted] global public equity offering [redacted] facilities totalling $1.65bn, making [redacted] financing [redacted] largest for a non-investment grade company in [redacted] years.

[redacted] agreed [redacted] inject [redacted] of new equity. [redacted] addition, Container Corpora[redacted] America, a [redacted] subsidiary, will issue [redacted].

[redacted] bulk [redacted] used [redacted] repay [redacted] facilities and [redacted] redeem [redacted] junk bonds.

When the proposals [redacted] implemented, the Irish parent's [redacted] will drop [redacted] about [redacted] per cent, [redacted] the Morgan Stanley funds will hold [redacted] per cent interest. [redacted] remaining [redacted] per [redacted] will [redacted] held by [redacted] investors, including the public.

Under [redacted] plan, long-term debt will be only modestly [redacted] to $2.4bn, [redacted] the [redacted]pany will [redacted] a large debt-servicing burden over [redacted] five years. [redacted] warns "there [redacted] assurance that the company will generate sufficient [redacted] to [redacted] obligations".

[redacted] a single-B non-investment grade (or junk) bond rating, although bankers hope an improvement in its financial condition will allow it [redacted] reach [redacted] double-B rating [redacted] long. The strengthening US economy has led to [redacted] marked improvement in [redacted] prices [redacted] past [redacted] months.

Besides the financial restructuring, Smurfit [redacted] began an internal shake-up aimed at reducing [redacted]. [redacted] programme, expected [redacted] last two [redacted], resulted in [redacted] $96m pre-tax charge last September reflecting, [redacted] other things, a consolidation of manufacturing facilities.

Lower finance costs lift CPC

By Richard Tomkins

CPC International, [redacted] US [redacted] Hellmann's mayonnaise, Knorr [redacted] corn oil, yesterday reported [redacted] per cent increase [redacted] income [redacted] $98.1m for the first quarter, helped by volume gains [redacted] financing costs.

World-wide [redacted] rose by 9 per cent, [redacted] third of which [redacted] from acquisitions – among [redacted] the Pfanni potato products business [redacted] Germany.

Unfavourable exchange [redacted] value of [redacted] terms, but [redacted] combination of volume gains [redacted] higher prices produced [redacted] of 6 [redacted] to $1.74bn.

[redacted] Foods, CPC's North American [redacted] business, saw [redacted] growth of [redacted] increased volumes [redacted] Hellmann's mayonnaise, [redacted] oil, Skippy peanut butter, [redacted] syrups [redacted] Knorr products.

However, specialty baking and Mueller's pasta [redacted] down, and higher commodity prices combined [redacted] increased spending on marketing [redacted] product development [redacted] North American operating [redacted].

[redacted] in overall operating income [redacted] from CPC's inter[redacted] operations – particularly in Latin America, [redacted] a [redacted].

[redacted] Mr C.R. Shoemate, CPC's [redacted] utive, warned [redacted] Latin [redacted] business would [redacted] significantly [redacted] by [redacted] in the [redacted] quarter.

[redacted] fell [redacted] from $22.8m, leaving pre-tax profits [redacted] 9 per [redacted] $172.5m.

Earnings [redacted] 63 cents [redacted] and [redacted] 34 [redacted] a share, up [redacted].

VW fails to settle Skoda differences with Czechs

By Patrick Blum in Vienna

Talks yesterday in Prague [redacted] Mr Ferdinand Piëch, Volkswagen chairman, and Mr Vladimir Dlouhy, [redacted] Czech [redacted] for [redacted] industry, [redacted] over [redacted] long-term [redacted] of [redacted] Automobilova, [redacted] the German car maker [redacted] a [redacted] per [redacted].

The [redacted] partners – [redacted] still owns [redacted] 70 per cent of Skoda – have [redacted] VW, [redacted] was due to invest [redacted] over [redacted] years, [redacted] last autumn that [redacted] sharply reducing [redacted] ($2.2bn) as part [redacted] its cost-saving [redacted].

[redacted] a new engine plant [redacted] Mlada Boleslav [redacted] also ditched. This angered the [redacted] government, [redacted] argued that [redacted] main [redacted] holder, it [redacted] have been consulted [redacted] changes.

In December, both [redacted] agreed [redacted] differ, and Mr [redacted] promised [redacted] keep Prague better informed.

A new protocol covering [redacted] by VW [redacted] be presented [redacted] meeting [redacted] Friday.

Générale des Eaux ahead at FFr3.2bn

By John Ridding in Paris

Compagnie Générale des Eaux, the French construction, utilities and communications group, raised net profits by just over 10 per cent last year to FFr3.2bn ($545m), according to estimates announced by the company yesterday.

The increase was achieved in spite of difficult conditions in the construction and water ser[redacted] markets, and is higher than forecasts made by the group at the end of last year when it launched a rights issue for more than FFr3bn.

The company said it would propose a dividend of FFr44 per share, against FFr43 in 1992, and it is planning to split its shares into four to improve liquidity.

Final results are expected at the end of the month, although the company has already announced that sales grew by just under 3 per cent last year to FFr147bn. About FFr39bn of the total was generated outside France.

The group said there was a negative impact on profits from its property and cable television activities. It is aiming to expand its activities in the media sector. In February it took joint control of Canal Plus, the pay-TV network, with Havas, the media company, and Société Générale, the banking group.

In a statement issued yesterday, Mr Guy Dejouany, chairman, said cashflow during the year had risen slightly to FFr11bn.

Investments in 1993 amounted to FFr7.8bn as the company sought to expand its presence outside France.

The strategy of reinforcing its international position has been continued this year.

Last month, Générale des Eaux announced that it was raising its stake in Air & Water of the US, from 23 per cent to 40 per cent.

Seagram expands in Australian wine deals

By Robert Gibbens in Montreal

Seagram, one of the world's top four drinks groups, is expanding its wine interests in Australia.

As a first step, Seagram has sold its Saltram Wine Estates, a wine producer and distributor based in Barossa Valley, South Australia, to Rothbury Wines.

Then Seagram bought treasury [redacted] Rothbury to [redacted] cent interest [redacted] largest single stockholder in Rothbury Group. It will [redacted] representative on [redacted] Rothbury board.

[redacted] would not reveal prices or other financial details. The [redacted] Australian companies in effect will [redacted] merged operationally and expanded.

Seagram has distributed its wine and spirits products in Australian since 1954. It bought Saltram in 1978.

"There are strong synergies between Rothbury and Saltram and joining forces will create a strong dynamic business," Seagram said. "The combined company will offer a broad Australian wine portfolio as well as other Seagram wines."

Analysts said the deal sets Seagram's Asian and global business strategy.

● SHL Systemhouse, a fast expanding computer service group, lifted second-quarter net profit to C$5.4m (US$3.9m) or 10 cents a share, from C$1.3m, or 3 cents, a year earlier. Revenues gained 22 per cent to C$292m.

First-half revenues rose 27 per cent to C$559m and net profit was C$10.1m, or 19 cents, against C$1.6m, or 4 cents.

Quarterly profit at Australian Alcoa slips

By Bruce Jacques in Sydney

Directors of Alcoa of Australia, the integrated aluminium producer, have warned that any recovery will be constrained following a 5.6 per cent fall in net profit in the March quarter [redacted] A$76.3m (US$53.7m) from A$80.9m a year ago. Revenues were 1 [redacted] cent higher at A$509.8m, against A$504.7.

Directors [redacted] the result reflected lower prices for all products, partially [redacted] by increased [redacted] volumes of alumina, lower unit production and lower [redacted]

"First-quarter [redacted] should not be [redacted] as indicative of results for the [redacted] of 1994," they said.

"Conditions in the industry remain difficult, and although a number [redacted] producers [redacted] communicated they will cut back metal production, inventories remain high and will constrain [redacted] in the industry."

Tax provision [redacted] down [redacted] from [redacted] in the period, while depreciation [redacted] A$36.4m, against A$36.7m. Interest [redacted] down [redacted] from A$7.1m.

Suzuki writes off Y8.54bn for Santana

Suzuki Motor, the Japanese minicar maker, said [redacted] off [redacted] ($81.2m) [redacted] bad debt from its exposure to [redacted] troubled Spanish unit, San[redacted] Motor, in the year to March 31 1994, Reuter reports from Tokyo. [redacted] by [redacted]

Santana stopped output [redacted] months [redacted] when [redacted] labour union went on [redacted] in pro[redacted] against management restructuring plans which involved reducing the work[redacted] of 1,400 by 60 per cent.

Suzuki said [redacted] company was standing by its [redacted] of parent [redacted] profit of [redacted] in 1993-94, [redacted] from Y20.48bn [redacted] previous year.

James Hardie to float off HarTec

James Hardie [redacted], the [redacted] building supplies group, has continued [redacted] sell non-core [redacted], with plans to float its electronic components subsidiary, HarTec, [redacted] Jacques.

Hardie [redacted] yesterday it would [redacted] 29.1m shares at [redacted] each in the company, with the issue fully underwritten. With payment of inter-company loans [redacted] the [redacted] Hardie will net A$34.1m [redacted] the transaction.

Hardie's managing director, Dr Keith Barton, said [redacted] was part [redacted] the company's strategy of concentrating on core [redacted]

[redacted] 35 per [redacted] will be [redacted] Hardie shareholders.

Packer network buys Optus stake

Nine Network, the Australian [redacted] network controlled by Mr Kerry Packer, has agreed [redacted] buy a 15 per cent stake in Optus Communications for A$318m [redacted], agencies report from Sydney.

Optus, which is establishing Australia's second telecommunications carrier and also oper[redacted] communications satellites, is to [redacted] 265m new shares to Nine Network, which will fund the investment through bank financing.

Current shareholders in Optus are BellSouth, of the US, and [redacted] Wireless, [redacted] UK, each of which own 24.5 [redacted] cent. The balance is owned by Australian companies Mayne Nickless, Australian Mutual Provident Society, National Mutual Life Association [redacted] Australasia, and AIDC.

The investment by Nine Net[redacted] increases [redacted] Australian shareholding in Optus [redacted] more than 58 per cent from [redacted] per cent. The current shareholders will dilute proportionately their interests to [redacted] Nine Network.

The Optus group of companies will be restructured by August so that all shareholders have direct equity in Optus Communications.

Currently, some [redacted] indirect [redacted] through a separate entity, Optus Pty.

"The restructure of the Optus group will facilitate a listing of Optus Communications on the Australian Stock Exchange in due course," said a statement from Optus and Nine [redacted]k.

The TV network has entered a strategic alliance with the telecommunications company under which Nine Network will support [redacted] participate in [redacted] development [redacted] multimedia operations at Optus. Nine Network has agreed [redacted] maintain its shareholding for at least [redacted] and [redacted] limit [redacted] holding in Optus to a maximum 20 per cent for this period.

Optus, formed in January [redacted] as a competitor [redacted] the state's Telecom Australia when telecommunications was partly deregulated, [redacted] spent A$1.2bn building a telecoms network. It plans to spend another [redacted] over the next four years.

Analysts estimate Optus has 20 per cent of Australia's mobile telephone market and 18 per cent of its [redacted] traffic but only 7 [redacted] cent of the domestic long-distance calls, or [redacted] per cent of the [redacted] A$4.5bn-a-year market. Telecom retains [redacted] local call monopoly.

Nine Network shares closed [redacted] lower [redacted] A$5.20.

Merchant bank is the envy of Hong Kong, writes **Simon Holberton**

Soaring Peregrine seeks central role in Asian bond market

If the [redacted] and aggressive merchant banking style [redacted] the [redacted] survives anywhere, then it [redacted] in [redacted] Kong. And one bank which repre[redacted] the style [redacted] Peregrine Investments, [redacted] broker[redacted] Hong Kong's financial community envies [redacted] likes to hate.

[redacted] was just an idea in the minds of its two founders, Peregrine has become [redacted] of [redacted] colony's leading merchant banks. [redacted] with Hong Kong, [redacted] sees [redacted] as [redacted] regional merchant bank and [redacted] opening [redacted] India.

Yesterday, it reported [redacted] 27 [redacted] cent [redacted] in [redacted] income [redacted] (US$110.8m) [redacted] HK$676.5m. Turnover, [redacted] by [redacted] introduction of London-based [redacted] securities trading, almost trebled [redacted] HK$11.4bn from HK$4.3bn. A final divi[redacted] was declared which, with 25 [redacted] paid at the interim stage, makes [redacted] cents [redacted] year – [redacted] 14 [redacted] cent.

Peregrine is [redacted] uncommonly successful marriage of the English and [redacted] Chinese. Mr Philip Tose, formerly chief executive of Citicorp Scrim[redacted] Vickers [redacted] the [redacted] of a Vickers' partner, [redacted] chairman. Mr Francis Leung, a corporate [redacted] expert from [redacted] Tose's days [redacted] Citicorp, [redacted] company's managing director.

[redacted] merchant banks and [redacted] such as Barings and Jardine Fleming, two long-established British [redacted] rep[redacted] an [redacted] that is rapidly passing. Peregrine is part [redacted] the [redacted] in waiting. Its [redacted] always associated with what the colony's leading "red chips", [redacted] as [redacted] Pacific, do, as [redacted] big local Chinese companies such as [redacted] Li Ka-Shing's Cheung Kong or Mr Gordon Wu's Hopewell.

[redacted] Peregrine was the lead broker in nearly HK$25.5bn of new issues, rights [redacted] and placements [redacted] Asia. It acted [redacted] financial adviser [redacted] clutch of deals worth [redacted] than HK$26bn [redacted] region. The company [redacted] for [redacted]panies in [redacted] Korea, [redacted] and [redacted] Philippines, but [redacted] majority [redacted] deals [redacted] in Hong Kong, where it dominates [redacted]

In 1993, Peregrine was responsible for more [redacted] 60 per [redacted] of the [redacted] listings (by value) on [redacted] Hong Kong [redacted] exchange; [redacted] accounted for about [redacted] third [redacted] all rights [redacted] and [redacted] quarter [redacted] placements, again by value. The [redacted] are good. The [redacted] made US$10m [redacted] flotation [redacted] Wu's Consolidated Electric Power Asia [redacted] autumn.

Says [redacted] Tose: "We [redacted] the ability to [redacted] deals quickly [redacted] very important ... we have no intention of giving [redacted] our market share without [redacted] fight." Yesterday [redacted] forecast that the company's capital base would grow from its present US$500m of [redacted] to US$2bn in four years. That would make Peregrine a "serious player" [redacted] a global scale.

Mr Leung says the idea [redacted] a merchant bank like Peregrine began germinating [redacted] both executives' minds during 1988. Citicorp was retreating [redacted] equity [redacted] in the [redacted] the October 1987 stock market [redacted] Mr Leung thought it [redacted] only a matter [redacted] the bank decided [redacted] retrench in Hong Kong.

"I thought [redacted] I did [redacted] clients – doing deals, raising mon[redacted] and investing it," he said. "I thought I [redacted] the same for myself. [redacted] I [redacted] in mind [redacted] corporate [redacted] boutique with a [redacted] help make [redacted] Philip wanted to [redacted] up [redacted] brokerage [redacted] said 'why [redacted] put them together?'."

Peregrine was born in [redacted] autumn of [redacted] when Mr Leung severed [redacted] with Citicorp; by [redacted] end of [redacted] Mr [redacted] had finished with [redacted]corp as well. Among [redacted] company's initial [redacted] Mr Li Ka-shing, Mr Wu, [redacted] Citic [redacted] – today three of Peregrine's [redacted] important clients.

Initially Mr Tose [redacted] Leung [redacted] between HK$100m and [redacted] in capital, but HK$300m was [redacted]ally raised. "KS Li said we should raise more money," recalls [redacted] Leung. "He [redacted] more capital [redacted] we could live [redacted] interest."

Through [redacted] series of transactions – the first of which [redacted] investing HK$300m in [redacted] per cent [redacted] Hong, [redacted] and [redacted]erty [redacted] which [redacted] Li [redacted] to control – Peregrine [redacted] on [redacted] stock exchange.

Mr Tose and Mr Leung exercise their control over the company through Peregrine International, a privately held investment company, which owns 20 per cent of Peregrine's [redacted] capital and in which they [redacted] nearly [redacted] 30 per [redacted] Mr George Soros, the US financier, recently took a near 5 per [redacted] stake in this private company. With the raising of US$200m [redacted] last [redacted] it [redacted] recently been reac[redacted] to [redacted] in long-term China-related investment.

The public company has [redacted] advantage of historically low [redacted] raised [redacted] in long-term [redacted] This [redacted] be [redacted] partly *[redacted] expand in [redacted] to [redacted] Peregrine into Hong Kong's* emerging [redacted] market [redacted] and originator [redacted] *It recently hired [redacted] income [redacted] from Lehman Brothers in* [redacted] Kong.

Mr Leung [redacted] getting into [redacted] income trading served [redacted] Peregrine was positioning itself [redacted] day when it [redacted] participate in [redacted] bond markets [redacted] Asia, especially [redacted] It will also help smooth the company's earnings profile, as profits from [redacted] market and corporate finance are quite volatile.

Where Peregrine [redacted] some eyebrows to [redacted] raised, [redacted] in Hong Kong, is [redacted] taking equity [redacted] companies [redacted] brings to market. But Mr Leung denies there is [redacted] con[redacted] of interest.

"We use [redacted] corporate finance network and expertise [redacted] spot investment opportunities," he [redacted] "Corporate finance is separate [redacted] broking. We invest in [redacted] when they are unlisted; the management of the exit is handled by [redacted] department and corporate finance does [redacted] know [redacted] it."

Talks on NZ meat processing plants fail

By Terry Hall in Wellington

New Zealand's two most modern [redacted] processing plants – which lie [redacted] following the collapse of the Fortex group – [redacted] to [redacted] for sale on the international market. This fol[redacted] the [redacted] of negotiations with a [redacted] of [redacted] Zealand businessmen who [redacted] to lease the plants.

Earlier, the Fortex receiver, Mr Alan Isaac, had unsuccessful talks with other [redacted] Zealand [redacted] processing companies [redacted] leasing the plants. These [redacted] when he refused to give these companies options to buy.

The failure [redacted] lease the plants is [redacted] further [redacted] to [redacted] Zealand's most important industry, which has an [redacted] of [redacted] ($1.89bn). [redacted] had been considered [redacted] world [redacted] in [redacted] meat processing, and was [redacted] pio[redacted] in 24-hour slaughtering.

Fortex, [redacted] with leading reform of New Zealand's [redacted] processing industry, was well advanced [redacted] plans [redacted] open [redacted] plant in [redacted] as a step [redacted] introduce [redacted] technology [redacted] UK slaughtering. [redacted] had extensive marketing operations in the UK, conti[redacted] Europe, North America [redacted] Asia.

Mr Isaac [redacted] appointed receiver [redacted] after [redacted] surprise [redacted] the company expected to lose [redacted] in [redacted] six [redacted] to February 28 because [redacted] intense competition [redacted] industry.

هكذا من الأصل

INTERNATIONAL CAPITAL MARKETS

Gilts surprisingly strong ahead of economic data

By Antonia Sharpe in London and Patrick Harverson in New York

The UK government bond market vied [illegible] its Italian counterpart [illegible] performance of the day yesterday. Analysts said they [illegible] surprised by the gilt market's strength, given [illegible] week's heavy timetable [illegible] economic [illegible] in the [illegible] and [illegible] UK.

[illegible] figures [illegible] January [illegible] expected on Thursday and [illegible] more important UK retail price index on Friday.

After February's disappointing numbers, the market will be looking for a rise of 0.4 per[illegible] points on the month in the underlying annual [illegible] (excluding mortgage interest payments) [illegible] cent.

The headline annual [illegible] be unchanged from February [illegible] 2.4 per cent.

The market widely expects the [illegible] of England [illegible] make an auction announcement on Friday. Some analysts [illegible] they expected [illegible] to reopen outstanding gilt issues [illegible] maturities of between [illegible].

On Liffe, [illegible] June [illegible] on the long gilt future stood 1 [illegible] points higher in [illegible] afternoon at [illegible] in [illegible] volume.

■ Italian bonds [illegible] the [illegible] in an optimistic mood, despite Sunday's reiteration by Mr Umberto [illegible] of the Northern League, that [illegible] party [illegible] only help form a [illegible] Italian government if [illegible] federal, free-market [illegible] anti-[illegible] values [illegible] respected.

Mr Troy Bowler, international strategist at PaineWebber, said favourable coverage of Mr Bossi's comments in the Italian [illegible] helped [illegible] push [illegible] the lira higher. He noted [illegible] the yield on 10-year Italian government bonds [illegible]

GOVERNMENT BONDS

[illegible] only 11 basis points higher than the yield [illegible] 10-year Spanish government bonds. This [illegible] the closest that Italian bond yields had [illegible] Spain's since last October [illegible] compared [illegible] yield differential [illegible] basis points in early [illegible].

[illegible] Jeff Brooks, fixed-income analyst at Merrill Lynch in London, [illegible] he expected investors [illegible] switch [illegible] Spain because [illegible] Italian market had got too far ahead of itself. "There [illegible] no allowance [illegible] the Italian market for [illegible] political collapse," said [illegible] Brooks.

The June contract on [illegible] 10-year Italian government bond future on Liffe [illegible] 1.21 points in the [illegible] afternoon to 114.75.

■ Spanish government [illegible] finished higher in line with other European markets. [illegible] are looking to this [illegible] price index [illegible] March, due [illegible] Thursday, for confirmation that Spanish inflation is heading downwards. The [illegible] expects [illegible] rise of 0.3 per cent to give a yearly [illegible] of 4.95 [illegible] cent. [illegible] 10-year notional Spanish [illegible] bond future rose 0.54 points [illegible].

■ German [illegible] their early gains amid hopes that the Bundesbank [illegible] cut the emergency [illegible] funding rate at its council meeting on Thursday. Dealers said [illegible] failing a Lombard rate cut, the market would need confirmation [illegible] the [illegible] that it would [illegible]tinue its recent policy [illegible] slowly easing unofficial [illegible] through the repo system. The bund future on Liffe stood 0.54 points higher at [illegible] in late trading.

■ [illegible] Treasury prices eased slightly [illegible] the [illegible] yesterday morning as traders [illegible] investors stayed mostly [illegible] sidelines [illegible] of [illegible] important inflation figures.

By midday, [illegible] benchmark 30-year [illegible] down [illegible] 87 [illegible], yielding 7.267 per [illegible] short end [illegible] market, [illegible] two-year note was [illegible] 99 [illegible], [illegible] yield 5.429 per cent.

After posting early [illegible] markets, [illegible] opened weaker in [illegible] York. Traders said [illegible] little selling [illegible] morning's [illegible] a hangover from [illegible] Friday's [illegible] sell-off.

Otherwise, business was quiet, with few participants willing to [illegible] actively [illegible] this week's raft of economic data, which [illegible] today [illegible] the release of [illegible] producer prices index.

Analysts have [illegible] increase [illegible] 0.1 [illegible] per cent in the PPI and a similar increase [illegible] the [illegible] prices index, which [illegible] tomorrow, as [illegible] monthly [illegible] sales [illegible].

BZ group launches covered option fund

By Ian Rodger in Zurich

[illegible] Martin Ebner's BZ banking [illegible] has launched a SFr1bn blue chip share investment fund, whose strategy will [illegible] to [illegible] volatility by continually writing covered call options on the component shares.

The fund, called Stillhalter Vision, was [illegible] week by [illegible] a few [illegible] large clients, who contributed some [illegible] their shares [illegible] it. (Stillhalter [illegible] a German term [illegible] covered options [illegible] in [illegible] financial markets.)

In anticipation of [illegible] SFr1bn capital increase by way [illegible] public issue of Stillhalter bearer shares [illegible] week, BZ placed 1.1m call [illegible] on [illegible] bearers on Friday at [illegible]. In initial trading yesterday, they rose [illegible] SFr23 on [illegible] stock exchange.

Mr Kurt Schiltknecht, [illegible] director of the fund, [illegible] the [illegible] appeal to investors who wanted a higher return [illegible] available [illegible] but who [illegible] uncomfortable with the volatility [illegible] blue chip equities.

By continually writing call options, the fund would limit the gains and cushion the losses on its holdings.

The directors [illegible] they hoped the fund [illegible] appeal [illegible] both small [illegible] seeking [illegible] of option writing [illegible] with [illegible] liquidity [illegible] a quoted [illegible]. Initially, the fund will only hold [illegible] blue chip shares.

[illegible] in the cases [illegible] existing Vision funds, the founding shareholder [illegible] led by BZ, [illegible] maintain majority control of Stillhalter through holdings [illegible] registered [illegible] five [illegible] the voting power [illegible] the [illegible].

BZ Trust, [illegible] of [illegible] funds, [illegible] accepted [illegible] same aggressive commission [illegible] for Stillhalter [illegible] BK Vision, Pharma Vision [illegible] Gas Vision, even though the growth potential [illegible] the [illegible] fund would seem [illegible].

Under [illegible] structure, no [illegible] payable [illegible] quarter [illegible] has [illegible] by [illegible] an annualised [illegible] per [illegible]. Thereafter, [illegible] rapidly.

Third mortgage backed deal by Barclays Bank

By Tracy Corrigan

Barclays Bank has launched a [illegible] of mortgage-[illegible] securities, arranged by BZW. [illegible] third securi[illegible] completed by Barclays, [illegible] was the first major [illegible] bank [illegible] mort[illegible] in 1989.

Securitisation [illegible] institutions to remove mortgages from [illegible] balance [illegible] and repackage [illegible] as [illegible].

The [illegible] backed by 7,400 mortgages [illegible] from Barclays [illegible] Service, [illegible] bank's third-party intro[illegible] mortgage [illegible]. The offering [illegible] of [illegible] senior [illegible] with an [illegible] of [illegible] which will yield [illegible] point [illegible] the London interbank [illegible] (Libor), and £11.8m [illegible] junior notes.

"Securitisation aids [illegible] sheet and portfolio management," said Mr Patrick Perry, Barclays' group treasurer.

Ecu traders clear the decks for the EBRD

By Conner Middelmann

The friendly [illegible] in Europe's government [illegible] markets [illegible] sentiment in [illegible] Eurobond market, [illegible] remained thin [illegible] participants stayed cautious [illegible] week's [illegible] of inflation data [illegible] UK, as [illegible] Thursday's meeting [illegible] central bank council.

INTERNATIONAL BONDS

In the [illegible] sector, players were clearing [illegible] issue by [illegible] European [illegible] Reconstruction [illegible] Development, expected by [illegible] early [illegible] today. [illegible] yesterday [illegible] the mandate [illegible] the [illegible] Banque [illegible] and Goldman Sachs International.

According to the lead managers, the timing and terms of the issue are still uncertain and depend [illegible] conditions. Syndicate [illegible] expect a five to seven-year global [illegible] of Ecu500m to Ecu1bn. The Kingdom of Spain and the Council of Europe [illegible] planning Ecu issues.

[illegible] dealers expect Ecu supply [illegible] meet healthy investor demand. "An [illegible] of [illegible] mature [illegible] the money [illegible] reinvested," [illegible] syndi[illegible]. Moreover, rather [illegible] pinpointing [illegible] single bond market, [illegible] investors [illegible] currently seeking broad [illegible] to European bonds [illegible] market, [illegible] said.

The sterling sector [illegible] welcome [illegible] of four-year floating-rate [illegible] Society [illegible] manager Samuel Montagu. The notes, which [illegible] of [illegible] Libor plus [illegible] points, yielded 16 basis points over Libor at the 99.79 fixed re-offer price.

Meanwhile, several borrow[illegible] advantage [illegible] continued investor demand for lira paper and good swap opportunities to issue lira bonds, continuing a recent trend.

L-Bank Finance and Südwest [illegible] Capital [illegible] increased outstanding 10-year [illegible] deals by [illegible] while [illegible] Export Credit launched a [illegible] 9¼ [illegible] cent 10-year bond, callable after three years. All [illegible] the day well inside [illegible].

Although some traders warned that the lira sector may start to get congested, others expect steady investor demand to continue, boosted by hopes of further declines in interest rates and [illegible] strengthening currency.

NEW INTERNATIONAL BOND ISSUES

Borrower	[illegible] m.	Coupon %	Price	[illegible]	Fees %	Spread	[illegible]
US DOLLARS							
SCCMT No.1 Series 94-3(a,c)	500	6.80#	99.845R	Apr.1999	[illegible]	+42 (5⅞%-99)	Citibank International
[illegible] No.1 [illegible] 94-3(b,c)	32	7.00#	99.845R	Apr.1999	-	+62 (5⅞%-99)	Merrill Lynch [illegible]
[illegible]							
[illegible] Hypothekenbank‡	100	(d)	100.60	May.1998	2.00	-	DG [illegible]
[illegible]							
Woolwich Building Society‡	150	(e)	99.79R	Apr.1998	0.15R	-	[illegible] Montagu
[illegible]							
[illegible] Export Credit(f)	150bn	9.125	100.65	[illegible]	[illegible]	-	BCI/ BNL
[illegible] Finance(g)	100bn	7.50	96.75	[illegible]	[illegible]	-	[illegible]
[illegible] Capital Markets(h)	100bn	8.00	96.875	[illegible]	[illegible]	-	[illegible] UBS
AUSTRALIAN DOLLARS							
[illegible] Australian Treas.Corp.	100	7.625	100.75	May.1998	[illegible]	-	[illegible]
[illegible] FRANCS							
Toyota [illegible] Corp.(a)*	150	4.25	101.125	[illegible]	-	-	[illegible]

Final terms and non-callable unless stated. The yield spread (over relevant government bond) [illegible] is supplied by the [illegible] manager. *Private placement. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Class A. b) Class B. c) Short 1st coupon. d) 6.4% for 1st yr and 18.3% - 2 x 3-yr DM swap rate (fixing once only, min 2¾%) thereafter. e) 3-mth Libor +0.1%. f) Callable on 13/5/97 and annually thereafter at par. g) Fungible with outstanding L300bn. Plus 68 days accrued. h) Fungible with outstanding L150bn. Plus 64 days accrued.

Canadian debt reviewed

By [illegible]

Moody's Investors Service, [illegible] international credit rating [illegible] put [illegible] triple-A rating [illegible] Canadian foreign [illegible] possi[illegible] downgrade.

Approximately [illegible] is affected, including [illegible] by [illegible] government, [illegible] Development Corporation [illegible] Development [illegible].

[illegible] agency acknowledged [illegible] moderate upturn in [illegible] Canadian [illegible] and said [illegible] expected [illegible] slight improvement in the [illegible] deficit in 1994, it [illegible] the public [illegible] question [illegible] complicated by [illegible] foreigners [illegible] buying an ever-larger portion of [illegible] public [illegible].

"The rising concern [illegible] level of public [illegible] finance within [illegible] to pose a [illegible] that, during [illegible] period of stress, holders of [illegible] debt might turn those assets into foreign currency assets."

Standard & Poor's downgraded the Canadian government's foreign [illegible] from triple-A [illegible] double-A-plus in [illegible] 1992.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
[illegible]		9.500	08/03	108.6200	-0.[illegible]	8.12	[illegible]	7.34
[illegible]		7.250	04/04	100.8600	+0.[illegible]	7.13	[illegible]	7.04
[illegible]		6.500	08/04	89.3000	-0.600	8.07	8.05	7.37
Denmark		7.000	12/04	101.2000	+0.300	8.83	8.93	6.66
France	BTAN	8.000	05/98	107.1090	+0.110	5.78	5.76	5.70
	OAT	5.500	04/04	92.7600	+0.950	6.51	6.46	6.30
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES [illegible] 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	113.65	114.46	+0.92	114.88	113.75	43658	83892
Sep	114.10	114.06	[illegible]	114.10	114.05	[illegible]	1319

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lire200m 100ths of 100%

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Mon Apr 11	Day's change %	Fri Apr 8	Accrued interest	xd adj. ytd		Low coupon yield Apr 11	Low coupon yield Apr 8	Low coupon yield Yr. ago	Medium coupon yield Apr 11	Medium coupon yield Apr 8	Medium coupon yield Yr. ago	High coupon yield Apr 11	High coupon yield Apr 8	High coupon yield Yr. ago
1 Up to 5 [illegible] (23)	124.38	+0.07	124.42	1.80	3.47	5 [illegible]	7.16	7.10	[illegible]	7.39	7.48	6.95	7.63	[illegible]	[illegible]
2 5-15 years (23)	148.83	+0.54	147.83	2.01	4.03	15 yrs	7.82	7.72	7.71	7.72	7.82	[illegible]	[illegible]	[illegible]	[illegible]
3 [illegible] 15 years [illegible]	167.95	+0.95	168.38	1.89	[illegible]	20 [illegible]	7.71	7.82	7.95	7.72	7.82	8.26	7.92	8.03	8.45
4 [illegible] (6)	193.74	+1.28	191.29	3.83	1.47	Irred.†	7.86	7.86	[illegible]						
5 All [illegible] (61)	144.96	+0.47	144.27	1.84	3.78										

FT FIXED INTEREST INDICES

GILT EDGED ACTIVITY INDICES

US INTEREST RATES

BOND FUTURES AND OPTIONS

FT/ISMA INTERNATIONAL BOND SERVICE

UK GILTS PRICES

Weisfelds give Brown Jackson cash injection

By Peggy Hollinger

The millionaire couple who created What Everyone Wants, the discounting chain now owned by [redacted] Group, have [redacted] to the rescue of [redacted] Brown [redacted] which has [redacted] in talks with [redacted] and potential [redacted] for [redacted] last three weeks.

Mr Gerald and Mrs Vera [redacted] a charitable [redacted] they founded, are injecting £6m [redacted] meet immediate working capital needs in return for [redacted] and two [redacted] the board.

They will [redacted] options on [redacted] further [redacted] at 7½p, which with the 3m [redacted] they already own [redacted] bring their holding [redacted] cent for a total [redacted] of about [redacted] Brown's [redacted] closed yesterday 1¼p higher [redacted] 4½p.

The investment is [redacted] Weis[redacted] first business venture since they unexpectedly left Amber Day, [redacted] was known then, just eight months after selling [redacted] the quoted [redacted] for [redacted] then, [redacted] who sold their [redacted] cent [redacted] Amber Day for £11m, have [redacted] their [redacted] charity work.

[redacted] he [redacted] con[redacted] he and his wife [redacted] add value [redacted] the Poundstretcher [redacted] of Brown [redacted] Jackson. "This [redacted] where our entrepreneurial flair lies," [redacted] said. The couple built their [redacted] discount [redacted] into a [redacted] business [redacted] years.

The Weisfelds will be appointed non-executive [redacted]tors [redacted] salary of £15,000. They will [redacted] consul[redacted] to Brown & Jackson for [redacted] daily rate of £500, or a maximum [redacted] £25,000. [redacted] other changes [redacted] board are expec[redacted] in the immediate future.

The proposals [redacted] subject [redacted] the Takeover Panel waiving [redacted] requirement for the [redacted] to make a general offer to shareholders once their stake [redacted] per cent.

Brown [redacted] Jackson has [redacted] struggling to [redacted] since the [redacted] rescue [redacted] which brought in new management [redacted]. However, [redacted] expected trading at [redacted] led to [redacted] profits warning in [redacted]uary. [redacted] month the group [redacted] of £12.7m for [redacted] against expectations [redacted] the warning of [redacted] £4m deficit.

In light [redacted] the [redacted] banks [redacted] to [redacted] working capi[redacted] to fund peak demands in September.

Brown [redacted] said in its statement yesterday [redacted] trading had improved with like-for-[redacted] April [redacted] about 1 [redacted]. The [redacted] now hopes to complete the sale and [redacted]back of [redacted] group [redacted] properties [redacted] disposals [redacted] will [redacted] delayed by [redacted] the banks.

[redacted] Gray, [redacted] executive, said Brown [redacted] Jackson had [redacted] negotiating [redacted] several possible investors, including Pepcor, the South African retailer. However, [redacted] deal had [redacted] concluded quickly.

A primary target for the 1990s

Simon Davies on the growing number of companies focusing on Asia

There may be an element of companies offering a relative bright spot amid the Occidental economic gloom, but one of the most notable themes of the recent UK reporting season has been the focus on investment and trade in Asia.

Hanson is to set up in Hong Kong, Virgin Megastores will [redacted] in Hong Kong and China, and a host of UK companies have identified the fastest growing economic zones of the 1980s as their primary tar[redacted] for [redacted] 1990s.

British exports to Asia (excluding [redacted] Middle [redacted] and Australasia) rose 29 per cent [redacted] £12.8bn [redacted] while the book value of direct investment [redacted] by 30 [redacted] cent [redacted] £11.5bn in 1992 – the [redacted] figures [redacted]

Some British companies have long histories in [redacted] but [redacted] Mr Peter Godwin, chairman [redacted] Pacific Advisory group, [redacted] this has tended [redacted] on [redacted] old [redacted] of India, Malaysia, Singapore and Hong Kong. [redacted] four mar[redacted] accounted for [redacted] cent [redacted] exports [redacted] last year.

There [redacted] many [redacted] which have [redacted] by [redacted] Syndrome, [redacted] multiplying [redacted] by this untapped half [redacted] world's population.

Mr Charles MacKay, [redacted] Inchcape, [redacted] company [redacted] experi[redacted] in Asia, said: "The [redacted] companies [redacted] been [redacted] for [redacted] time, [redacted] of [redacted] small and medium-sized [redacted]ish companies have [redacted] Europe. Now, [redacted] the [redacted] in Europe, they [redacted] saying [redacted] they must do something [redacted] develop [redacted] markets."

On his visit [redacted] Japan [redacted] Malaysia last September, Mr John Major, [redacted] prime [redacted]ter, outlined the government's determination "to give [redacted] a new place in our priorities". Corporate Britain is responding.

Mr John Fletcher, chairman of Trafalgar House Corporate Development, said: "It is disappointing that there isn't more British involvement in Asia. In some major markets, like Taiwan, you don't see any other major British engineering or construction companies."

Trafalgar House has completed the twin 190m high tow[redacted] that will support Hong Kong's Tsing Ma suspension bridge. It will [redacted] the second longest in [redacted] world and a monument [redacted] British engineering skill – but Trafalgar admits that it remains [redacted] relatively [redacted] example.

Trafalgar's involvement in [redacted] began in [redacted] it bought 50 [redacted] cent [redacted] Jardine [redacted] construction arm, Gammon Construction. By September [redacted] Trafalgar had [redacted] contracts in hand in [redacted] Asia [redacted] or 54 [redacted] cent [redacted] its total. Mr Fletcher [redacted] need to [redacted] where there are [redacted] populations and expanding economies. I would like Asia [redacted] account for one third [redacted] turnover from [redacted]struction [redacted] engineering [redacted] businesses] within [redacted] years."

Tarmac opened [redacted] in Hong Kong last [redacted] and other [redacted] companies [redacted] following, but Mr Fletcher [redacted] competition [redacted] predominantly [redacted] Japanese, German [redacted] companies, [redacted] the British.

Mr Clive [redacted] research director [redacted] regional [redacted] Equity, argues: "British companies [redacted] coming a little late. They [redacted] don't seem to be coming with [redacted] commitment as the [redacted] companies, and they can't build up the same relationships as other Asian companies."

In many cases, [redacted] the timing is excusable. Given the distances involved, companies [redacted] be forgiven for avoiding [redacted] complex and fragmented marketplace, until it has built up critical mass in terms of spending power. According to Mr John Robinson, chief executive [redacted] Smith and Nephew, the healthcare company, the time has now come. "In the healthcare sector, [redacted] require markets with a certain level of GNP. Most of these south-east Asian economies are only just getting there," he said.

In 1993, Smith and Nephew's sales to east Asia, including Japan, grew by 30 per cent to £50m, representing 5 per cent of its £949m turnover. Mr Robinson anticipates [redacted] it will hit 30 per cent of the total within the next decade.

"The [redacted] market is already the fifth larg[redacted] in [redacted] world. [redacted] don't think it is developed. I would have thought it will be worth between £35m and £50m to us by the end of the decade and it will take off thereafter. At the [redacted] are selling virtually nothing there."

Smith [redacted] Nephew [redacted] expand by [redacted] wholly [redacted] and marketing offices, [redacted] than taking on joint [redacted] partners. It will also manufacture [redacted] basic products. This [redacted] for [redacted] Europe [redacted] 1980s and that market now [redacted] for [redacted] per [redacted]

Other companies [redacted] opted [redacted] team up with distribution companies.

Inchcape – which derives [redacted] half [redacted] operating profits from Asia – has franchises [redacted] manufacture and sell an enormous variety of western brand name products. Mr [redacted] said there had been a marked increase in British companies wanting to sell into Asia.

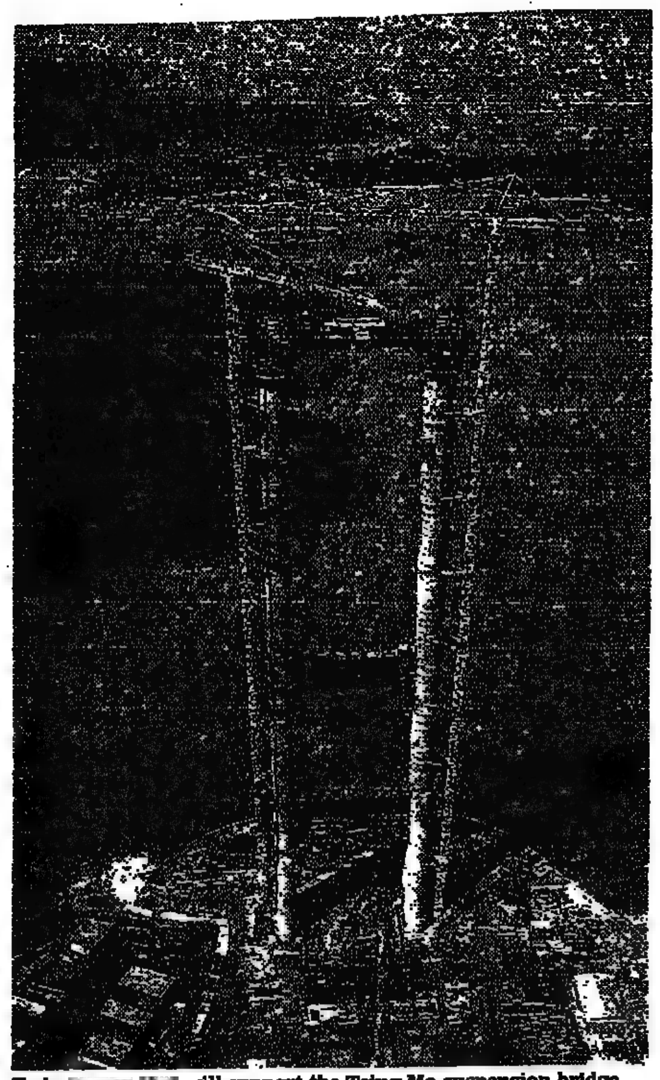
"British companies have become [redacted] lot more competitive in recent years. Four or five years ago, we were selling a handful [redacted] Rovers in Hong Kong. Today, it has become a very successful franchise," he said.

He argued that the Asian economies would achieve aver[redacted] annual growth of about 6 [redacted] cent over [redacted] next six [redacted] and some, like China, would be much greater. Even in a strong upswing, the western economies [redacted] unlikely [redacted] half that.

This has been [redacted] motivation. British Petroleum [redacted] a substantial investor in oil exploration in Vietnam, Imperial Chemical Industries [redacted] opened chemical plants in Japan and China, and GEC, through its joint [redacted] with Alsthom, [redacted] in power and engineering throughout the region.

Recent threats of discrimination against UK companies by the governments [redacted] Malaysia and China [redacted] raised [redacted] the downside [redacted]. Thus [redacted] only [redacted] likely [redacted] high profile engineering projects, not [redacted] brand [redacted] product [redacted]

Trafalgar [redacted] to lose con[redacted] under [redacted] Malaysia, but existing contracts should [redacted] on [redacted] four [redacted] years. Mr [redacted] said [redacted] John Brown subsidiary [redacted] working [redacted] a £1.5bn [redacted] build [redacted] petrochemicals [redacted]plex for Petronas, [redacted] oil company.



Twin [redacted] will support the Tsing Ma suspension bridge

[redacted] China, Trafalgar's 25 [redacted] ownership by Hong [redacted] Land – a member of arguably [redacted] group [redacted] companies, Jardine Matheson – might [redacted] expected [redacted] hamper [redacted] However, it [redacted] just picked up another [redacted] industry.

Mr [redacted] claims [redacted] British [redacted] facing discrimination in China [redacted] political [redacted] appear [redacted] softening.

Analysts [redacted] companies with [redacted] technological edge or strong brand [redacted] can generally [redacted] higher profit margins than in [redacted] UK, despite the logistical [redacted] dealing [redacted] continent. [redacted] compensate [redacted] short-term problems.

[redacted] one Hong Kong [redacted]man [redacted] "In Asia, [redacted] have enemies for too long, and one has [redacted] long-term view [redacted] kets."

Bilton shares fall 39p on downward property valuation

By Simon Davies

Shares [redacted] Bilton, [redacted] property and construction company, yesterday fell [redacted] after the [redacted] announced an 11 per cent drop in the value [redacted] property [redacted] portfolio.

[redacted] downward valuation [redacted] in spite [redacted] the [redacted] that companies [redacted] been reporting a sharp improvement in [redacted] property [redacted] market.

[redacted] announcement accompanied Bilton's [redacted] the company reporting pre-tax profits [redacted] £17.4m, up from £17.1m in 1992.

The mark-down of [redacted] property values was the [redacted] of [redacted] first [redacted] since [redacted] Bilton [redacted] announced [redacted] internal valuations in [redacted] previous three [redacted] despite [redacted] unequivocally falling [redacted] King Sturge, [redacted] surveyors, valued [redacted] 7m [redacted] ft portfolio [redacted] compared with [redacted] valuation [redacted] in December 1992. There have been no material changes in the portfolio.

Net asset value per share amounted to 643p (739p).

Group turnover from trading [redacted] fell from [redacted] £9.1m, reflecting competitive market [redacted]

Profit on ordinary activities at the trading level fell to £20m [redacted] payable [redacted] reduced [redacted] £2.6m [redacted]. The [redacted] did [redacted] its balance [redacted] yesterday, but gearing is expected to [redacted]ed marginally from the 13 per [redacted] in [redacted]

[redacted] per [redacted] emerged at 27.3p [redacted] and the directors proposed [redacted] final [redacted] 13.61p, [redacted] (18.9p) [redacted] the [redacted]

Wakebourne £19m in red

[redacted], Wakebourne, [redacted] computer support concern, suf[redacted] pre-tax [redacted] for [redacted] of [redacted], largely reflecting the write-off in [redacted] Lantek Electronics investment.

The outcome was from turn[redacted] of £23.2m (£24.2m), including discontinued activities of [redacted] and compared with profits of £453,000 for 1992. Losses per share were 3.6p, [redacted] 0.1p [redacted].

Directors said that, in [redacted] UK computer support [redacted] which [redacted] up the principal trading activity, [redacted] during [redacted] of £2.6m excluding discontinued activities.

QS optimistic despite reduction to £5.25m

By Peggy Hollinger

[redacted] Holdings, [redacted] discount retailer which [redacted] its [redacted] plunge by [redacted] than [redacted] following [redacted] profits warn[redacted] last July, [redacted] optimistic yesterday in spite [redacted] sharp fall in pre-tax profits [redacted] £8.47m to [redacted]. The shares closed 7p lower at 228p.

Mr Marc Walters, chairman, said there had [redacted] strong improvement in [redacted] half sales, which was expected to continue into this [redacted]

The [redacted] had been particularly [redacted] both [redacted] extremely [redacted] conscious.

Margins had [redacted] result.

[redacted] 14 per [redacted] £58.1m [redacted] the [redacted] January [redacted] Some 14 new stores were opened, making a [redacted] of [redacted] including the two launched [redacted] the year end. Mr Walters said this had been funded from cash resources, which stood at a net £5.7m at the year-end.

"[redacted] will [redacted] to pursue our plan [redacted] expansion," Mr [redacted] said, "aiming [redacted] growth in [redacted] sales."

The final dividend is [redacted] a maintained total of 5.19p. Earnings fell from 14.22p to 8.49p.

Quiligotti acquisition

Quiligotti, [redacted] flooring group, [redacted] acquired R Cristofoli, a terrazzo [redacted] maker, from [redacted] receiver for [redacted]. The company [redacted] agreed [redacted] termi[redacted] finance leases in [redacted] with a [redacted] £40,000.

For the year [redacted] Cristofoli had turnover of [redacted] (£5.67m) [redacted] profits of £292,000 [redacted]

DIVIDENDS [redacted]

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Anglo-Eastern	fin	1.15	June 6	1	1.65	1.375
Bilton	fin	13.61	July 22	13.23	19.28	18.9
Burmah Castrol	fin	11✝	July 14	16.5	27.5	25.25
Chepstow Race	fin	5	June 17	1	10‡	1
Dinkie Heel	fin	0.9	July 1	0.6	1.4	0.95
Greenacre §	fin	0.18†	June 30	0.15	0.33	0.28
Ldn & Manchester	fin	10.56	June 27	9.6	15.66	14.25
Magnolia	fin	0.1	-	0.1	0.1	0.1
QS	fin	3.63	July 5	3.63	5.19	5.19
Rathbone Bros	fin	5.5	May 26	4.5	7.5	6

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ✝Enhanced share alternative available. ‡Includes special of 5p.

هكذا من الاصل

Plotting a recovery course

Paul Betts on Aer Lingus's transatlantic strategy

Aer Lingus is banking on a new fleet of European Airbus A330 twin-engine widebody airliners to help return its lossmaking transatlantic routes to profit this year.

Mr Bernie Cahill, the Irish national carrier's chairman, also said the group would be back in the black in its financial year to April 1995, after reporting a loss of about I£55m (£53m) in the year just ended.

The airline's decision to lease three A330s this year to replace older Boeing 747s is the latest element in its restructuring and recovery strategy, which has invol[illegible] the shedding of about 1,000 jobs in the airline and associated companies during the past six months.

The airline's transatlantic services to New York and Boston have lost some I£30m during the past three years.

However, the new aircraft, the recent removal of the obligation for Aer Lingus's transatlantic services from Dublin to stop at Shannon, and new connections from UK regional airports to link up with the airline's new non-stop services to the US, are all expected to help return the transatlantic operation to profit.

Together with the Dublin to London shuttle services, the transatlantic operations are an important revenue earner for Aer Lingus.

They accounted for about I£120m of the airline's I£600m revenues for the year just ended, according to Mr Bob Challens, the commercial director.

Mr Challens also said the airline would use its new Airbus fleet to develop a fresh corporate image for the carrier, with plans later this year to introduce a new livery for Aer Lin[illegible]

The European Airbus 330: expected to return the transatlantic operation to profit

The A330s will also give Aer Lingus greater operating flexibility and efficiency than the older Boeing, he added.

Mr Cahill said his airline had been able to negotiate attractive lease terms for its new A330 fleet from ILFC, the California-based aircraft leasing group.

"It's a perfect time to do a deal, with low interest rates and a lot of aircraft available in the market," he added.

Aer Lingus is also continuing to explore a commercial alliance with Delta Air Lines to strengthen the reach of its transatlantic services into the domestic US market.

However, Mr Challens said he did not expect any agreement soon with Delta, and that [illegible] priority was to make its current operations profitable.

"Our [illegible] target [illegible] have [illegible] healthy balance sheet in two years' time. I think we will achieve [illegible], and we are already ahead of our targets," Mr Cahill said.

As a sign of the improved confidence in the airline's financial fortunes, Mr Cahill said two Irish banks – the Bank of Ireland and Allied Irish Banks – had restored the credit facilities they had withdrawn at the height of the airline's financial crisis.

"Our strategy now is to turn our existing operations into a profitable base, and then we will feel out the next step. We see any future expansion in co-operation with [illegible] carriers," Mr Cahill [illegible].

Aer Lingus recently secured [illegible] support package [illegible] government, its shareholder, to [illegible] financial recovery strategy involving an immediate I£75m injec[illegible] and [illegible] subsequent injections [illegible] next two years.

Although this aid package was cleared by the European Commission, [illegible] Lingus [illegible] since been [illegible] by Ryanair, [illegible] smaller Irish [illegible]petitor, for uncompetitive behaviour.

The Commission [illegible] now investigating [illegible] complaint by Ryanair against the national carrier, which claims [illegible] grounds [illegible] complaint.

NEWS DIGEST

Anglo Eastern hits £2.8m

Profits before tax of Anglo-Eastern Plantations, which came under the control of Genton International last year, rose from £1.32m to £2.84m for the year to end-December.

Turnover improved from £4.93m to £8.01m. Crop at the Tasik oil palm estate was 63 per cent higher than in 1992 while rubber and cocoa production was up to expectations.

Earnings jumped to 7.4p (3.4p) and a proposed final dividend of 1.15p makes a 1.65p (1.375p) total.

The board intends to broaden the group's activities in the Asia Pacific region and maintain Anglo-Eastern's London listing.

Last September Chillington Corporation sold a 48.08 per cent stake in Anglo-Eastern to Hong Kong-based Genton which then made a mandatory cash offer for the balance of the shares.

Management buy-in at Ward Sacks

Ward Sacks, the paper sacks and carrier bag maker, has been taken over by a new management in a £3.93m deal.

The new team is led by Mr Trevor Maund, formerly finance director of Usher Walker, who becomes managing director, Mr Brian Sutcliffe, at present managing [illegible] of Chilwood, who [illegible] chairman, and Mr Neil Whatmough who is promoted from general manager to sales director.

The founders [illegible] Wards Sacks, Mr John Ward and Mr Robert Ward, retain a minority holding.

Slight pay rise for HSBC chairman

Sir William Purves, chairman of HSBC Holdings, was paid £1.06m last year, a slight increase on the £1.04m he received in 1992. The bank's pre-tax profits for 1993 rose by 94 per cent to £1.7bn.

The bank said in its annual accounts that total directors' emoluments rose from £3.8m in 1992 to £4.8m. It added that Sir William's emoluments for part of 1993 included expatriate benefits which formed "a significant portion" of the sum.

Rathbone Bros advances 29%

Rathbone Brothers, the asset management and private banking group, reported profits before tax of £5.25m for the 1993 year.

The outcome, a rise of 29 per [illegible] on the previous year's total of £4.08m, was achieved on turnover of £17.7m (£15m).

A recommended final dividend of 5.5p brings the total to 7.5p (6p). Earnings emerged at 18.5p (16.07p).

Kittle Little French expansion

[illegible] Little, the USM-traded designer and maker of consumer goods, has signed a conditional letter of intent to purchase Groupe L'Amy, the largest maker of spectacle frames in [illegible]

The French company, based in Morez, had sales of FFr540m (£63.5m) in 1993. No purchase price was disclosed.

Dealings in the shares of Kitty Little, in which Benson Eyecare of the US owns a 28 per cent stake, were suspended at 41p yesterday at the company's own request until the transaction is completed.

Magnolia shows second half deficit

Magnolia Group, the picture frame and reproductions company, showed a small loss in the second half of 1993.

Profit before tax for the full year came through at £72,000, compared with £76,000 in the first six months. The result represented a reduction compared with £84,000 in 1992 and £401,000 the year before.

Earnings per share were lower at 1.08p (1.89p) and the dividend is held at 0.1p.

Chepstow Racecourse ahead

From turnover of £1.95m, against £1.83m, Chepstow Racecourse, which promotes and runs race meetings, lifted pre-tax profits to £388,817 for 1993, compared with a previous £247,069.

Earnings per share were 65.5p (41p) while the single dividend is boosted from 1p to 5p. Directors also propose a special payment of 5p for the year.

Current trading up to expectations and joint venture formed

Alpha Airports meets target

By Peggy Hollinger

Alpha Airports Group, the airline catering company floated by Forte in February, matched its prospectus forecast with a [illegible] per cent increase in operating profits to £20.6m.

Pre-tax profits, struck on pro forma turnover ahead 5 per cent to £423.3m, rose by 18 per [illegible].

Mr Richard Gold, finance director, said Alpha was optimistic about the current year in light of an expected 4 to 5 per cent increase in the number of airline passengers in the UK. "We have [illegible] a strong UK market this year," he said. "There has been quite an increase, particularly in the charter market." Current trading was "well up to expectations".

The group also announced the first of [illegible] joint [illegible] promised at the time of flotation. It is joining [illegible] with British West Indian Airways at Trinidad's [illegible] airport, [illegible] [illegible] cash for a 40 per [illegible] in Airline Caterers, Piarco's [illegible] caterer, which last year generated [illegible] of [illegible].

Mr Gold said Alpha hoped to [illegible] a second joint venture within the next three [illegible].

Trevor Humphries

Richard Gold: expecting an increase in UK airline [illegible]

The [illegible] also opened [illegible] new kitchens, in the US and [illegible]. Capital expenditure during the year came to [illegible] £12m.

[illegible] debt rose from [illegible] to [illegible], representing 82 per [illegible] of shareholders' funds. Mr Gold said gearing should be reduced to between 50 and 60 per [illegible] by the end of this year.

The strongest performance came from the airport retailing business, which increased operating profits by 40 per cent to £5.9m; sales were 3 per cent higher at £213.5m.

Mr Gold said this division would benefit from the expansion plans of airport operators. "We will see quite an abnormal increase over the next [illegible] [illegible] in the UK marketplace," [illegible].

The airline catering division increased operating profits by 12 per cent to £14.7m on sales ahead [illegible] per cent to [illegible].

Notional earnings per share [illegible] up 32 per cent on a pro forma basis at [illegible]. The company warned that the earnings figure related to Alpha as part of Forte and might not reflect the level generated as an independent company.

The first dividend will be paid at the interim stage. Forte received £33.5m in dividends last year.

Fyffes in talks on European purchase

By Tim Coone in Dublin

A significant European acquisition is looming at Fyffes, the fresh fruit and vegetable distributor, which will provide a strong boost to its banana sales in the continental market.

Speaking after the company's annual meeting in Dublin yesterday, Mr Carl McCann, finance director, said that a due diligence process [illegible] under way with a European fruit distribution company, and that several [illegible] medium-sized acquisition opportunities were being [illegible].

He expected "as much as half" of the group's I£92m [illegible] cash hoard [illegible] spent on acquisitions by the end of the year.

The group is aiming to sell 27m boxes of bananas this year, up from 18m in 1993, with 7m of the [illegible] targeted for Europe. If the acquisitions were to fall through, however, the company might face difficulties reaching the target.

[illegible] [illegible] is projected to fall to I£6m this year, from I£9.6m which contributed 30 per cent of 1993 pre-tax profits.

Two acquisitions last year in Spain and Denmark [illegible] I£12m. They will increase turnover by I£150m in a full year.

London and Manchester sharply ahead to £33.4m

By Alison Smith

London and Manchester, the life assurance and financial services [illegible], announced pre-tax profits [illegible] from £23.4m to [illegible] over the 1993 [illegible], helped by a sharp turnaround in non-core activities.

These non-insurance businesses – covering areas such as consumer finance, mortgage lending and a property agency – contributed £2.5m, against [illegible] of [illegible] last time.

The greatest change was in the [illegible] business, which achieved trading profits of £846,000 (losses of £3.7m), despite a [illegible] [illegible] in £9.7m in provisions for bad and doubtful debts.

Profits from insurance activities, including a transfer of £20.6m from the life revenue account, came to £32m: comparable figures last time were £19.3m and £30.7m. Within this [illegible], however, there was a fall of 25 per cent in new industrial branch business, where premiums are collected weekly from customers' homes.

While there was a 40 per cent rise in new regular-premium [illegible] won by the direct sales force, which operates from the 37-branch network established in 1992, there was a drop of almost one third in regular premium new business through firms acting as appointed representatives.

Mr Tom Pyne, chief executive, said the reduction was largely because ties had been broken with a number of companies, either because the amount of business generated was not worth the investment by the group, or because the group was not satisfied with the standards of selling. Appointed representatives now number about 200 – [illegible] a maximum of 600 – though the group intended to rebuild the total.

A final dividend of 10.56p is recommended, taking the total to 15.68p (14.25p). Earnings per share [illegible] to 20.49p (14.3p).

Leisure behind Gowrings' gain

Gowrings, the motor trading and leisure company, reported a turnround from [illegible] of [illegible] to profits of [illegible] pre-tax in the [illegible] year.

The result [illegible] on higher turnover of [illegible] ([illegible]) and helped by a lower interest charge of [illegible] (£718,000) and higher exceptional credits of £157,000 (£42,000).

There was continued sustained growth in the leisure division, particularly food services. However, the [illegible] saw severe pressure on margins resulting in lower profits.

Earnings per [illegible] [illegible] 2.29p (losses 1.4p) and an unchanged final dividend of 1p is proposed for a maintained [illegible] of 2p.

■ The company is selling a mobile home park near Oxford for £825,100, against a book value of £1.01m. It was originally acquired for £383,000 and in 1993 generated net profits of £6,000.

Reconstruction boosts Orb

[illegible] reconstruction [illegible] helped the property [illegible], formerly known as Ossory [illegible] report pre-tax profits of [illegible] [illegible] end-December, against [illegible] of £19.8m.

The result was helped by an exceptional credit of £10.3m, being the elimination of [illegible] in receivership, [illegible] with [illegible] and the write-back of liabilities to banks.

There were also lower amounts written off properties and investments of £897,000 (£8.74m) and interest charges of [illegible] (£9.94m).

Turnover was £4.04m, against [illegible], which included [illegible] from discontinued activities. Operating profits on continuing [illegible] were [illegible] (£1.77m).

The company said full benefits of the reconstruction were still to take effect. Court permission for the [illegible] of the [illegible] on the profit and loss account by [illegible] was [illegible] on February [illegible]. A revaluation of [illegible] will take place at the June 30 year end.

Earnings per share were 9.12p (losses 21.82p). Adjusting for the [illegible] reconstruction and taking into account the share issue, [illegible] per share were 0.16p.

NEWS IN BRIEF

AAH has completed divestment of [illegible] supplies interests with the sale of Yorkshire Brick, a self-contained [illegible] of AAH Building Supplies, to Marshalls. Price is £5.75m cash, subject to a maximum adjustment of £1m.

BERKELEY GROUP associate, Berkeley Eastoak Investments, [illegible] part of its commercial investment property portfolio in [illegible] separate transactions for [illegible] cash. The properties, which were mainly out-of-town retail investments, were acquired at a cost of [illegible].

BLACK (PETER) Holdings, the supplier of personal care, footwear and accessories, has sold its 13 factory shops to their existing management for £3.5m. Proceeds will be used to fund the group's continuing investment in core manufacturing businesses.

BURMINE, [illegible] mining [illegible], has declared its offer for Europa, the UK-quoted mining finance house, unconditional having received [illegible] acceptances representing 74 per cent of Europa's issued capital. Burmine also received acceptances in respect of 70 per cent of issued capital of Austmin Gold and declared its offer for this Australian mining company unconditional. This enables the three-way merger [illegible].

Exports prompt leap at Dinkie Heel

Pre-tax profits of Dinkie Heel, the [illegible] component manufacturer, [illegible] from £201,000 [illegible] the [illegible] year.

Turnover from continuing operations expanded 11 per cent [illegible] (£6.67m) while exports continued [illegible] with a [illegible] per cent gain.

Directors pointed out that exports [illegible] for 30 per cent of total turnover. Sales to the [illegible] virtually doubled in [illegible] now [illegible] the company's largest export market".

Earnings per [illegible] were 3.84p, compared with 1.31p, and the [illegible] is lifted [illegible] 1.4p [illegible] with a final of 0.9p.

[illegible] the UK [illegible] from [illegible] of [illegible] and of "the more [illegible] styles of rubber sole units which [illegible] very fashionable", [illegible].

Trading results for the 1994 first quarter were [illegible], they added.

ICI $10m paint investment

By [illegible]

Imperial Chemical Industries is spending about [illegible] (£6.8m) expanding its US paints operation.

Through Glidden, its paints [illegible] based in Cleveland, Ohio, it is buying California-[illegible] Decratrend from a subsidiary of Total, the French petrochemical [illegible].

The purchase is part of Glidden's plans to expand [illegible] its traditional home of [illegible] US.

Greenacre's rise to £1.7m helped by purchases

In a year in which its operations "grew significantly" Greenacre, the USM-traded nursing home operator, reported profits up by a quarter and announced a [illegible] per cent increase in its annual dividend.

On [illegible] up from [illegible] to £7.44m, pre-tax profits for the year to end-January [illegible] by £342,500 to £1.7m. The proposed final dividend of 0.18p [illegible] the total [illegible] – covered more than [illegible] by earnings of 0.72p (0.57p).

The advance was boosted by acquisitions, which added £1.04m to [illegible] and £369,958 to operating profit.

Almost [illegible] beds were added during the period – the company now operates 12 homes with a total of 578 beds.

During the year further mortgage borrowings were contracted [illegible] development [illegible] acquisitions and [illegible] borrowings at the year-end were £4.24m, giving gearing of 31 per cent.

Trafalgar House sells Dukes Hotel

By Simon [illegible]

Trafalgar House has sold the smallest of [illegible] London hotels, [illegible] Hotel in St [illegible] Park. The price was not disclosed, but it is understood to be at a small premium to the property's [illegible] value of some £10m.

Dukes has been [illegible] to Franklin Hotels, which already owns the Egerton House and Franklin Hotel in Knightsbridge. The hotel had been up for sale for some time.

It is understood that initial discussions have also taken place for the sale of Trafalgar's Stafford Hotel, but its flagship property, the Ritz, was taken off the market last year, as offers did not come close to "acceptable" [illegible].

Franklin's acquisition [illegible] accompanied by a financial restructuring [illegible] with [illegible] European Ventures.

As a result, Hambro will emerge with a [illegible] per cent [illegible] in the enlarged hotel company. Mr Jeremy Hand, of Hambro, said the enlarged Franklin group would have £24m in [illegible] equity financing (the founders retain 25 per cent).

Prices for electricity determined for the purposes [illegible] settlement arrangements in England and Wales.

1/2 hour period ending	Provisional [illegible] Trading at 12.04.94: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	[illegible] price £/MWh
[illegible]	[illegible]	10.57	10.57
0100	10.95	[illegible]	[illegible]
0130	16.90	15.50	[illegible]
[illegible]	22.81	15.50	[illegible]
[illegible]	[illegible]	10.95	10.95
0300	48.00	10.91	10.91
0330	46.40	10.89	10.89
0400	31.97	10.57	10.57
0430	22.81	10.57	10.57
0500	[illegible]	[illegible]	10.57
0530	[illegible]	[illegible]	10.91
0600	16.75	10.91	10.91
0630	16.95	10.97	10.97
0700	29.10	15.60	15.60
0730	[illegible]	15.96	[illegible]
0800	44.12	[illegible]	[illegible]
0830	66.64	[illegible]	[illegible]
0900	[illegible]	[illegible]	[illegible]
0930	55.89	16.03	18.94
1000	63.07	16.03	18.94
1030	43.71	16.03	18.94
1100	41.87	16.03	18.94
1130	40.09	16.04	18.95
1200	39.45	16.04	18.95
1230	38.04	16.04	18.95
1300	36.16	16.03	18.94
1330	34.34	16.03	18.94
1400	33.25	16.03	18.93
1430	31.72	16.03	18.93
[illegible]	31.86	16.03	18.93
1530	31.81	16.03	18.93
1600	31.79	16.03	18.93
1630	43.85	16.03	18.94
1700	43.71	16.03	18.94
1730	43.41	16.04	18.95
1800	41.34	16.06	18.98
1830	31.18	16.14	19.08
1900	31.12	20.75	23.69
1930	31.12	20.73	[illegible]
2000	31.12	20.66	23.56
2030	40.03	16.03	18.94
2100	65.72	16.03	18.93
2130	65.72	15.70	18.70
2200	65.69	15.63	15.63
2230	40.10	15.53	15.53
2300	28.96	10.97	10.97
2330	23.53	10.83	10.83
2400	16.70	10.82	10.82

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed [illegible] provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further [illegible] pool prices is provided on behalf of the Pool [illegible] Settlements and Information Services [illegible]. Anyone wishing to receive such information [illegible] telephone 0602-456789 between 8:30am and 5:15pm [illegible] Friday
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هكذا من الاصل

Results have justified government intervention in banking: Page II

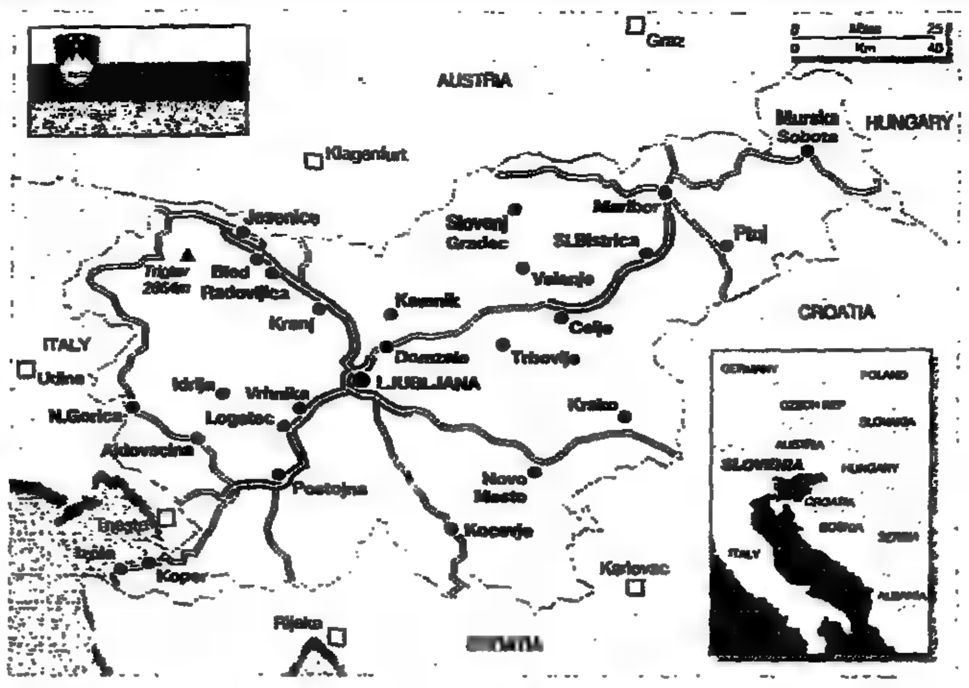
FINANCIAL TIMES SURVEY

SLOVENIA

Farm tourism [redacted] a fine way [redacted] enjoy beautiful scenery: Page III

Tuesday April 12 1994

Ljubljana is now the capital of an independent central European state



Small, scenic and flexible

The most successful of the former Yugoslav republics is working towards integration into western Europe. Laura Silber reports

T[redacted] past is another country for the great majority of Slovenes. They feel their country has emerged from seven [redacted] a minor player [redacted] the Yugoslav drama to assume its rightful role as an independent, central European state.

Nearly [redacted] after breaking away from the Serb-dominated Yugoslav [redacted] tion, [redacted] compared [redacted] the war-torn republics further south, while breathing a sigh of relief at having escaped the war which [redacted] wrenching [redacted] their former countrymen.

Over [redacted] year, [redacted] has continued on its steady course, joining international financial institutions and signing several free trade agreements. By [redacted] end [redacted] 1994 it is likely to join the other post-communist [redacted] of [redacted] Europe [redacted] an associate member of the European Union, and has signed up for Nato's "partnership for peace."

Mr Janez Drnovsek, the prime minister, who heads the broadly-based coalition government, outlines a modest, pragmatic programme for the immediate future. "We will continue without making any spectacular moves, pursuing sound, moderate policies of economic development and stability," he says.

While these aims would be little more than a pious wish list for much of eastern and central Europe, they are a practical reality for this scenic Alpine country of 2m inhabitants lying between Italy, Austria, Hungary and Croatia.

Politically, the country is striving towards stability. Mr Milan Kucan, the president, a former communist who led Slovenia's [redacted] independence, [redacted] popular, with his support crossing party lines. At the [redacted] time, Mr [redacted] has gained ground, widening the distance between his Liberal Democrats and their next challenger, the Christian Democrats. Earlier this month his party merged with three smaller left-of-centre parties and now holds one-third of the 90-seat [redacted] assembly.

In [redacted] small country, however, small storms can sometimes take on threatening proportions. [redacted] Debate has been raging over state security and allega[redacted] wire-tapping, in revelations much trumpeted by Mr Janez Jansa, the controversial minister of defence who was ousted last month.

Economically, however, there is growing confidence that [redacted] of [redacted] post-independence re-adjustment is over and Slovenia is set on the road to prosperity. This confidence is borne out by statistics. For the first time since Slovenia declared independence in June 1991, GDP has stopped contracting. Independence was followed by a 10-day war against the Yugoslav People's Army in which a handful of Slovenes, several Turkish truck drivers and some 50 young conscript soldiers died.

After the [redacted] Yugoslavia, Slovenia lost one-third of its export markets in the other former federal republics. That was a serious shock for an economy where more than 80 per cent of GDP is realised through trade. It led to a determined search for new markets. Last year GDP grew by 1 per cent and similar growth is forecast for 1994. Inflation dropped from 92.9 per cent in 1992 (on an annualised average) to about 20 per cent last year.

"There is a [redacted] optimism, because growth means there will be fewer social tensions and Slovenia will be more stable," says Mr Ali Zerdin, a journalist with Mladina, the independent weekly.

[redacted] year's resumption [redacted] growth [redacted] a two-year slump. [redacted] consolidating [redacted] recovery still depends on measures to reduce public spending and wages. For in spite of [redacted] incomes rose nearly 14 per cent [redacted] year, to [redacted] per head. This is not only higher than the other former Yugoslav states but also well beyond the level of average incomes in post-communist states such as Hungary, the Czech republic and Poland, [redacted] competing with Slovenia for investment and jobs. A lot of painful restructuring still lies ahead, especially among loss-making heavy industry. The government plans to privatise many larger companies by the end of the year – even though this will increase unemployment, already at 15 per cent.

But the financial structure is also being over-hauled. Government experts responsible [redacted] restructuring of banks agree that there are too many banks, and most of them are under-capitalised. As further restructuring takes place, the authorities would like to see the numbers drastically reduced from the present 32 to about six main banking institutions. They claim progress in cleaning up the balance sheets.

On the monetary front, Mr France Arhar, governor of the [redacted] bank, [redacted] that [redacted] will continue its highly [redacted] monetary policy and keep a strong [redacted]. [redacted] "We will continue with our restrictive monetary policies and our [redacted] budget," the prime minister confirms.

The results are already tangible. The tolar (the national currency introduced in October 1991) has remained stable while hard currency reserves have risen from virtually zero to about $1.7bn.

While the economic picture has brightened, the question of unresolved foreign debt threatens Slovenia's credit rating. Government officials are anxious to settle the allocation of $1bn debt owed by the former Yugoslavia. They feel, however, that their creditors are expecting Slovenia – the most prosperous country born of the collapsed Federation – to shoulder an inequitable part of the burden.

But until the fighting ends in the former Yugoslavia, Slovenia's full potential will remain under-exploited. While nostalgia for Yugoslavia is publicly absent, Slovene [redacted] nessmen admit that they look back somewhat wistfully to the old days when they had easy access to Serbia's cheap raw materials, easier transport links, and the 22m-strong markets of the former Yugoslav republics. All the latter are now depressed by plummeting incomes, or cut off by war and the UN embargo on trade with Serbia. While still able to trade [redacted] on transhipment through [redacted] and [redacted] the [redacted] ruptive impact [redacted].

Three years ago, [redacted] captive [redacted] eagerly bought Slovene products, [redacted] particular, light [redacted] consumer goods which were of higher quality than most Yugoslav products, and less expensive than those imported from Western Europe.

In the past, critics dismissed the prospects for Slovene independence because of its small size and population. But this now appears to be an asset. A diplomat puts it simply: "Slovenia is small enough to be flexible." Furthermore, the volume of Slovene exports will never be large enough to upset its neighbours, but if it is increased it will guarantee most Slovenes a comfortable standard of living.

While the fighting continues in Bosnia, and until the Croats and Serbs reconcile their differences, an independent Slovenia physically separates the prosperous European Union from the Balkan imbroglio further south. It sees its future as full integration into the EU and Nato. But Slovenes also worry about the cultural and economic [redacted] of their bigger neighbours, Italy, Austria and Croatia, and how their ethnically homogeneous state will manage to preserve a [redacted] and language which survived five centuries of Austro-Hungarian rule.

There is some ambivalence and fear over the pace of integration. For some factory managers, for example, foreign investment is still tantamount to foreign rule. But a confident Mr Drnovsek believes that Slovenia will continue to "develop as a stable European country" as the young state leaves the past behind.

KEY FACTS

Area	20,251 sq km
Population	2.0 million (1993 estimate)
Head of state	President Milan Kucan
Currency	Slovenian Tolar (SLT)
Average exchange rate	1992 $1=SLT81.3; 25/3/94 $1=SLT133.5

ECONOMY

	1992	Latest[1]
Total GDP ($bn)	12.24	
Real GDP growth (%)	-6.0	
GDP per capita ($)	6,120	
Agriculture as % of GDP	4.7	
Retail prices (% change pa)	201.3	24.0
Ind. production (% change pa)	-13.2	-0.6
Unemployment (% of lab force)	11.6	14.2
Reserves minus gold ($bn, Dec).	0.72	
Public external debt ($bn)	1.20	
Current account balance ($bn)[2]	0.78	
Exports ($bn)[2]	4.18	
Imports ($bn)[2]	4.13	
Trade balance ($bn)[2]	0.05	

Main trading partners (1992, % by value)	Exports	Imports
Germany	27.0	22.7
Croatia	14.2	13.9
Italy	13.2	13.7
France	9.2	8.0
Serbia-Montenegro[3]	6.0	4.4
Austria	5.1	8.1
Former USSR	3.4	4.1
EC	54.9	50.1

[1] = 1993 figures (Retail Prices - Sept; Ind. Prod.- [redacted] Unemployment - Q2).
[2] = excludes trade with former Yugoslav republics.
[3] = includes most trade with Bosnia-Herecegovina until June 1992.

Source: Economist Intelligence Unit.

The economy reflects consolidation and steady progress, writes Patrick Blum

Growth is expected to double

Consolidation and steady progress are the [redacted] words among economic policy makers in Ljubljana, prompted by some of the best economic indicators in central and eastern Europe.

After the initial post-independence disruption, Slovenia is begining to reap the benefits of consistent, market-orientated reforms and of its disengagement from former Yugoslavia.

The economy grew by about 1 per cent in 1993. Growth is expected to double this year. Foreign reserves are at a record $1.7bn – and rising. Inflation has been brought down from 22 per cent a month in 1991 to less than 1.5 per cent a month now. [redacted] 1994 government inflation target of 13 per cent looks as if it will be achieved, provided that wage rises are held back and spending by local authorities is contained.

The budget deficit is small, representing less than 1 per cent of gross domestic product (GDP) last year. External indebtedness, at $1.8bn, is relatively low, although Slovenia has inherited part of the former Yugoslav debt.

The country has benefited in other ways. Under the old regime, the Yugoslav economy was already less centralised and rigid than its communist neighbours. As the richest of the former Yugoslav republics, Slovenia had a relatively modern and open economy and some of its companies were able to compete in western markets. The country's small size and homogeneous population also helped.

> The first priority is to stabilise the economy, [redacted] growth

[redacted] there [redacted] challenges in making the systemic change. Inflation had to be brought down, and tough adjustments made to offset the loss, caused by the war in Bosnia and United Nations sanctions on Serbia, of about 40 per cent of export markets. With exports accounting for 60-65 per cent of GDP, losing [redacted] threatened a wave of bankruptcies.

In the event, most Slovene companies adjusted, mainly by slashing jobs; as a result, unemployment has grown to more than 14 per cent of the workforce and continues to rise. Janez Drnovsek, the prime minister, says that the [redacted]rnment's first [redacted]rity was to stabilise the economy, then to encourage a resumption of growth.

Throughout the process monetary policy had to remain restrictive and the budget had to be balanced to bring down inflation. Unemployment, Mr Drnovsek says, is unlikely to fall rapidly – even with recovery. "It was not easy during the past two years, but I think we are through the [redacted] and we can now envisage faster than expected economic developments," he says.

The rise of unemployment puts pressure on the budget, although the social impact has been partly offset by the large number of people working in [redacted] grey [redacted]nomy. Nevertheless, Mr Mitja Gaspari, the finance minister, says that social transfers are likely to rise to about 5.2 per cent of GDP this year, compared with 4.8 per cent of GDP in 1993.

Continued on Page II

Privatisations are beginning at last

Goal is efficiency

After two [redacted] of prolonged and confusing debate, privatisations [redacted] finally getting [redacted] the ground.

About 2,500 companies with [redacted] book value of $8.8bn are earmarked [redacted] privatisation [redacted] the next [redacted] years. Many enterprises will [redacted] only partially sold under [redacted] complicated [redacted] of rules which may yet be changed [redacted] enduring political opposition to selling enterprises to [redacted] – people neither employed nor formerly employed by [redacted] company – and to foreign [redacted]. But [redacted] the time being, armed [redacted] a compromise set of rules [redacted] more complicated by [redacted] need [redacted] critics, [redacted] government [redacted] pushing ahead.

Unlike the Czech Republic (where the government opted for [redacted] relatively quick transfer to private ownership [redacted] companies as possible – leaving restructuring [redacted] new owners) Slovene companies had [redacted] restructure first because [redacted] the [redacted] bulk [redacted] their markets in [redacted] former Yugoslavia. They had to [redacted] painful adjustments [redacted] survive, and privatisation [redacted] second place.

In Slovenia, [redacted] objective and the methods chosen [redacted] also different. [redacted] of the country's unique self-management [redacted] system, [redacted] property [redacted] directly owned by [redacted] as in other communist [redacted] tries. There are [redacted] clear [redacted] responsibility [redacted] loosely divided [redacted] man-[redacted] and workers.

This [redacted] given employees [redacted] greater [redacted] in [redacted] running of [redacted] company, but it [redacted] encouraged high [redacted] and the maintenance [redacted] the [redacted] quo – which discourages change. For [redacted], establishing ownership is [redacted] important element in [redacted] ernment's efforts to modernise the [redacted]. The [redacted] not [redacted] much to create [redacted] of shareholders [redacted] to [redacted] productivity.

"The ultimate [redacted] privatisation is [redacted] the distribution [redacted] shares, but to [redacted] the efficiency [redacted] companies, and you can't [redacted] without restructuring and an active owner," [redacted] Mira Puc, managing director of the Agency for Restructuring [redacted] Privatisation.

The [redacted] is one of [redacted] institutions dealing with privatisation. Its role [redacted] supervise and [redacted] on [redacted] of privatisation, but it [redacted] companies, unlike [redacted] Development Fund, which is [redacted] like [redacted] Treuhand in Germany. [redacted] Fund [redacted] currently responsible for restructuring about 100 companies [redacted] them for privatisation. It [redacted] already [redacted] companies, [redacted] another [redacted] companies [redacted] facing bankruptcy.

But the bulk of privatisations will fall under [redacted] supervision of [redacted] privatisation agency. It [redacted] early days yet, and [redacted] agency has [redacted] 215 projects [redacted] which it has approved [redacted], but the list [redacted] growing [redacted] day, [redacted] Mr [redacted] Jaklin, the agency's deputy manager.

Companies have been [redacted] until [redacted] end [redacted] year [redacted] prepare their privatisation project. Failing that, [redacted] will decide [redacted] the method. The [redacted] unusually complex, [redacted] that allowing [redacted] the [redacted] politically acceptable and [redacted] bureaucratic [redacted].

Under the agency's guidelines, companies can [redacted] of privatisation. Part [redacted] the [redacted] can [redacted] various state funds, including the Development Fund, which [redacted] shares [redacted] private investment funds. A company's [redacted] directly or through public [redacted] der [redacted] public [redacted].

The Development Fund [redacted] already sold about 30 companies – another 50 are facing bankruptcy

Alternatively, [redacted] employees can opt for [redacted] internal buy-out, [redacted] they can acquire up to 60 per cent of [redacted] company's [redacted] preferential terms. [redacted] includes the distribution of up [redacted] of shares [redacted] charge through ownership [redacted] – [redacted] equivalent [redacted] privatisation vouchers – and [redacted] to [redacted] per cent through an internal buy out, in [redacted] part of the [redacted] bought at [redacted] and [redacted] rest bought over a [redacted] year period. The remaining 40 per cent of [redacted] must [redacted] distributed among various state [redacted].

Depending on [redacted], each Slo[redacted] will [redacted] ownership certificates worth DM4,000-DM6,000 [redacted] can be exchanged [redacted]. Shares acquired through free distribution or at a discount cannot be resold immediately.

Investment funds are being established; licences are likely to be issued by May. Some 30 fund management companies have applied to establish about 70 investment funds. These will be similar to those in the Czech Republic but, unlike the Czech funds, there are no limits on the size of the stake a fund can have in any one company. Individual funds, however, can have no more than 10 per cent of their portfolio in a single company.

So far only six companies have been privatised by internal buyout, most [redacted] Jub, the chemical [redacted], [redacted] largest of the [redacted]. The [redacted] has also approved public [redacted] for [redacted] of companies, [redacted] ing Lek, [redacted] large [redacted] successful drug manufacturer [redacted] was heavily oversubscribed. Internal buyouts [redacted] popular, [redacted] they give employees [redacted] to [redacted] in [redacted] own company, [redacted] Puc.

"[redacted] different in each country. The political [redacted] make it impossible [redacted] through [redacted] in Germany, because all managers here believe they already own [redacted] companies," she says.

Patrick Blum

The banking sector

Rehabilitation is only a start

[redacted] more [redacted] year [redacted] reform, Mr [redacted] Voljc, [redacted] man and [redacted] Ljubljanska Banka (LB), Slovenia's largest [redacted] powerful bank, [redacted] he can [redacted] little.

Its rehabilitation – [redacted] process by [redacted] been partly [redacted] long [redacted] tion [redacted] improvements – [redacted] already brought tangible [redacted]. The bank, [redacted] banking sector, returned [redacted] profits [redacted] the [redacted] of [redacted]. It [redacted] sharply reduced [redacted] non-performing [redacted] by exchanging tolars [redacted] (DM1.4bn) [redacted] government bonds, [redacted] operating costs have been cut by 15 [redacted] cent. "The results have justified [redacted] government's intervention (in [redacted] bank). Ljubljanska [redacted] the [redacted] of [redacted] banking crisis," Mr Voljc [redacted].

[redacted] necessary to reduce LB's weight, [redacted] modernise the sector

Most bankers [redacted] although [redacted] may [redacted] Voljc's optimism. [redacted] only [redacted] stage [redacted] efforts to [redacted] banking [redacted] profit basis. The process [redacted] likely [redacted] painful, [redacted] accompanied by [redacted] closures [redacted] smaller banks. "It's [redacted] long [redacted] project that will last eight to [redacted] years," [redacted] Mr Jamko Dezelac, managing director [redacted] Bank [redacted] Agency (BRA) responsible for cleaning up balance sheets and setting banks on the path of reform.

New regulations coming into [redacted] in January 1995 will [redacted] competition and, it is hoped, efficiency. The [redacted] bank will make [redacted] that banks adopt western standards of capital adequacy and risk assessment. Monopoly practices and cosy cartel arrangements to maintain high margins will no longer be [redacted]. From January [redacted] banking licence will require [redacted] minimum DM60m in capital – double [redacted] current [redacted]. All [redacted] will [redacted] banks to sharpen up. From today's [redacted] banks, it is [redacted] expected to [redacted] reduction in [redacted] of institutions. Almost [redacted] that Slovenia has [redacted] many banks, [redacted] productivity [redacted] low. [redacted] judge [redacted] right, [redacted] will [redacted] privatised.

[redacted] foreign [redacted] interest. Austria's Creditanstalt [redacted] Austria, and Société Générale of France have already [redacted] subsidiaries, [redacted] though foreign [redacted] waiting [redacted] rehabilitation [redacted] pleted [redacted] entering [redacted] mar-[redacted].

"I expect [redacted] in [redacted] we could sell some banks (to foreign [redacted] investors) at [redacted] price," [redacted] Initially, the [redacted] will keep 10-20 [redacted] cent holding, although [redacted] government [redacted] not want [redacted] owner.

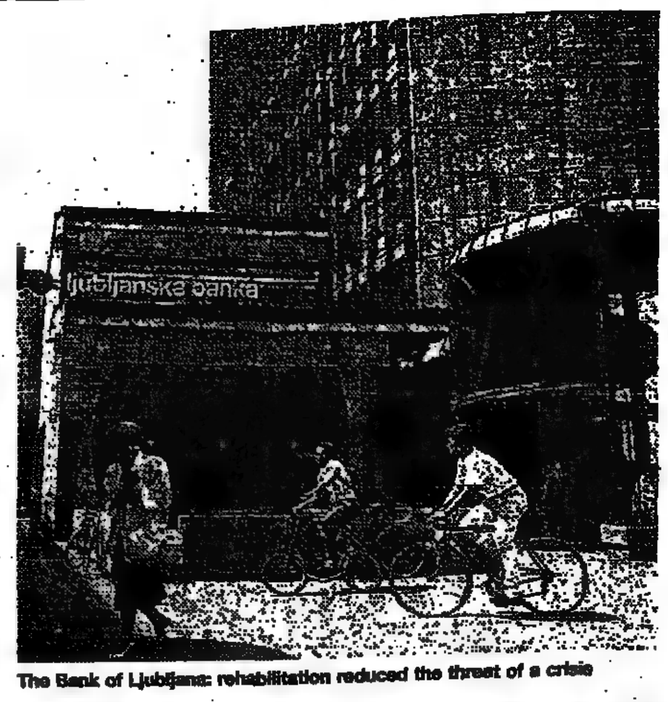
Originally the LB [redacted] which consisted [redacted] several [redacted] market share [redacted] more than [redacted] cent for domestic savings [redacted] than [redacted] international operations. Its predominance in [redacted] sector impeded reform [redacted] undermined [redacted] to control inflation. "It [redacted] for [redacted] tary policy," [redacted] Arhar, central bank [redacted] whole sector, [redacted] weight in [redacted] system [redacted].

"[redacted] can't have [redacted] huge bank which controls everything. In [redacted] that we'll [redacted] or seven banks with [redacted] general licence, [redacted] of [redacted] banking institutions operating mainly [redacted] savings and co-operatives," [redacted] Mr [redacted].

Daughter banks of [redacted] LB [redacted] being hived off. Kreditna Banka Maribor, based in [redacted] Slovakia, and Komercialna Banka Nova Gorica, near [redacted] Italian border, [redacted] undergoing rehabilitation.

Public [redacted] and [redacted] in [redacted] Slovene banking [redacted] been [redacted] about DM3bn, of which more than [redacted] banking system, [redacted] foreign exchange deposits with [redacted] former central bank of Yugoslavia. There are [redacted] claims [redacted] in Croatia. Deposits with [redacted] central bank of Yugoslavia [redacted] unlikely [redacted] recovered.

Domestic [redacted] remain [redacted] problem. Mr [redacted] says [redacted] while [redacted] can help [redacted] portfolios, [redacted] will be up to them to improve performance. "[redacted] can solve [redacted] solvency issue, but [redacted] will still be problems [redacted] flow and liquidity."



The Bank of [redacted]: rehabilitation reduced the threat of a crisis

Trade

Exports pick up

Exports declined by 9 per [redacted] from [redacted] in 1992 [redacted] last year, writes Patrick Blum. Imports [redacted] almost 5 per cent higher, rising from $6.14bn to $6.48bn last year, causing a [redacted] trade deficit.

Mr Vojka Ravbar, state secretary for foreign economic relations, [redacted] exports were about [redacted] per [redacted] higher [redacted] the dollar value suggests because of exchange rate fluctuations. [redacted] hope they will pick [redacted] again this year. Germany was Slovenia's largest trading partner, accounting [redacted] 29.5 per cent [redacted] exports, followed by Italy, Croatia, France and Austria.

There has been a big shift in exports [redacted] the [redacted] from eastern Europe and [redacted] former Yugoslavia, with [redacted] European Union [redacted] accounting for more than half of Slovenian trade. The war [redacted] United [redacted] sanctions have caused a [redacted] in [redacted] with [redacted] rump Yugoslavia, except for [redacted] foods. [redacted] with [redacted] has [redacted] insignificant. Trade [redacted] Croatia and Macedonia [redacted] declined considerably.

The sudden loss of [redacted] than [redacted] third of its export markets caused thousands of jobs in Slovenia to disappear, particularly among the large traditional industries [redacted] in [redacted] parts of the country and around the capital. Many of these companies had [redacted] captive market [redacted] almost 24m people; they await an end to [redacted] fighting in Bosnia with [redacted] hope that they might at least win [redacted] of their former [redacted] in Serbia and Montenegro, [redacted] well [redacted] in [redacted] of the former Yugoslavia.

Slovenia has also lost ground to western competitors in traditional markets [redacted] central and eastern Europe. The former system [redacted] guaranteed markets through government agreements [redacted] with communism, and producers [redacted] their [redacted] rising competition [redacted] from low cost eastern European producers [redacted] aggressive western companies.

Slovenia [redacted] closely [redacted] the EU. A co-operation agreement was signed last year, giving tariff-free access to the EU for about [redacted] per cent of Slovenian industrial products, [redacted] Ljubljana hopes [redacted] conclude an association agreement with the EU this year. The government also hopes to sign [redacted] free trade agreement with Efta this year. [redacted] hopes [redacted] this will [redacted] exporters [redacted] to Efta's [redacted] fully opening up Slovenia's own [redacted].

[redacted] agreements [redacted] signed with the [redacted] Republic, [redacted] and Hungary, opening up [redacted] market [redacted] more than [redacted] people. There are discussions with Poland for [redacted] similar agreement.

Economic growth is expected to double

Continued [redacted] Page 1

[redacted] year's budget [redacted] yet to [redacted] approved by parliament, [redacted] it [redacted] already [redacted] considerable opposition from ministers because [redacted] tough expenditure constraints. Mr Gaspari foresees [redacted] 1994 [redacted] 7bn, representing about 0.5 per cent of GDP. "We [redacted] keep the deficit low. There will [redacted] no impor[redacted] changes in our orientation," [redacted]. But the tax system is being modernised and streamlined; there are new [redacted] on tobacco and alcohol; and [redacted] added tax will be introduced in 1995-96. [redacted] collection will [redacted] improved and simplified.

Nevertheless, Mr Gaspari is cautious about prospects. "[redacted] figures we [redacted] do not yet [redacted] a [redacted] growth pattern. Domestic [redacted] tion alone is not enough to sustain growth and it is not certain that we can continue with a restrictive wage policy." There is strong [redacted] and political opposition to cuts in real wages and living standards, [redacted] private consumption [redacted] high, rising by 8.8 per [redacted] in 1993.

This [redacted] obvious in Ljubljana's commercial and shopping [redacted]. It bustles [redacted] activity. Popular pizzerias are full [redacted] students who spend [redacted] money on [redacted] lunch [redacted] students in most other former [redacted]. Slovenes had the [redacted] of living in the former Yugoslavia. With per capita GDP at [redacted] $6,000 [redacted] year, [redacted] almost double [redacted] of Hungary [redacted] more than twice [redacted] the Czech Republic, whose living standards are the highest among the former Soviet bloc reforming economies.

With per capita GDP at about £6,000 a year, the Slovene [redacted] of living is almost double [redacted] of Hungary and more than twice the Czech Republic's

Such prosperity is reflected in the region's highest labour costs, although this [redacted] partly compensated for by higher productivity, [redacted] munications [redacted] more developed [redacted]. Productivity [redacted] to [redacted] 3.7 per [redacted] year, [redacted] expected [redacted] rise by another 2 [redacted] cent in [redacted]. "Productivity in Slovenia is [redacted] highest among [redacted] group of reforming [redacted] in central and eastern Europe," [redacted] executive [redacted] large joint [redacted] in eastern Slovenia.

[redacted] the government felt compelled to [redacted] in [redacted] and [redacted] re-introduce them this year. The prime minister worries that "high [redacted] are a problem [redacted] can endanger the competitiveness of our [redacted]." He complains that managers [redacted] workers in self-managed companies have been [redacted] to awarding themselves excessively high [redacted] – he hopes [redacted] will [redacted] once companies [redacted] privatised and face [redacted] pressures.

Dissolution of the former Yugoslav market meant [redacted] companies [redacted] to cheap materials and inputs. Now they [redacted] to [redacted] by modernising production [redacted] developing new products – and looking [redacted] new markets. But with [redacted] rates [redacted] per [redacted] for prime [redacted], [redacted] 18 per [redacted] others, [redacted] they [redacted] borrow and invest. Government [redacted] down more rapidly failed, [redacted] fought to [redacted] on [redacted] their margins, [redacted] now falling very gradually.

Meanwhile, foreign investment [redacted] being officially courted, although there is still [redacted] public resistance to [redacted] Slovene [redacted] to foreigners. There [redacted] more than 3,000 joint [redacted] with foreign partners, [redacted] more than $1bn of [redacted] has [redacted] since 1990.

Mr [redacted] Arhar, [redacted] of [redacted] charge [redacted] popular [redacted] foreign [redacted]. "A [redacted] must [redacted] an [redacted] market for capital movements, goods and services. This [redacted] a precondition if we [redacted] to maintain or increase production."

Privatisation and foreign investment [redacted] to [redacted] the [redacted] of restructuring, which until [redacted], critics [redacted] consisted mainly of cutting jobs rather than modernising production to [redacted] higher [redacted] requirements. With domestic demand expected [redacted] stagnate [redacted], growth prospects continue to depend mainly on higher exports and recovery in Europe.

Privatisation and foreign investment will help, although Mr Voljc sees only a [redacted] role for foreign investors. "I don't [redacted] Slovene [redacted] being dominated by foreign investors. My [redacted] preference [redacted] (foreign investment of) up [redacted] per cent," [redacted]. In February the European Bank [redacted] Reconstruction and Development (EBRD) [redacted] a DM50m [redacted] agreement [redacted] SKD [redacted] used in funding SKB's [redacted] loans for capital investment projects, start-up working capital and acquisition of shares [redacted] companies being privatised.

But in an [redacted] market the weight of foreign [redacted] will depend [redacted] the domestic banks' ability to remain competitive. [redacted] will not be [redacted] Mr Voljc. "Companies and individuals [redacted] becoming increasingly choosy. If they [redacted] what they [redacted], they can [redacted] elsewhere, or [redacted] have to modernise."

Patrick Blum

صكنا من الاصل

مكان الاعلان

Foreign policy has its back to the Balkans, reports **Laura Silber**

Two-pronged strategy

Describing Slovenia's foreign policy, Mr Lojze Peterle, the foreign minister, outlines a two-pronged strategy aimed at reinforcing regional integration within the post-communist central European states and the European Union. "Slovenia will become [redacted] associ[redacted] member of the EU by the end of 1994," he predicts, [redacted]ing that the EU accounts for 70 per cent of Slovene trade.

In an effort to enhance [redacted]onal co-operation, Slovenia has [redacted] Central Euro[redacted] Initiative [redacted] Visegrad group, which includes [redacted] Czech Republic, Hungary, Slo[redacted] and Poland. Following their lead, Slovenia joined Nato's "partnership [redacted] peace" in March, [redacted] by Mr [redacted] as [redacted] "very important step in easing [redacted] worries [redacted] security" [redacted] nearly three [redacted] former Yugoslavia.

It [redacted] member-ship will work if Slovenia [redacted] subject to [redacted] UN's [redacted] embargo, applied to all [redacted] Yugoslav republics. Mr Janez Jansa, [redacted] defence minister, [redacted] insisted [redacted] embargo [redacted] can co-operate [redacted] Nato programme. "During this last [redacted] accomplished everything [redacted] wished. The only problems [redacted] the embargo and the question of succession in former Yugoslavia," explains Mr Peterle. Slovene politicians say that [redacted] succession – dividing up the former federal republic's [redacted] and liabilities – [redacted] time to resolve, [redacted] of claims.

While [redacted] talks con[redacted] in Geneva, Slovenia will not grant diplomatic recognition [redacted] the rump Yugoslavia, [redacted] Mr Peterle. But he hopes [redacted] the rapid stabilisation of the region – especially [redacted] end [redacted] in Bosnia.

> **Slovenia [redacted] reciprocal representation for [redacted] minority in Italy**

[redacted] Serbian [redacted] autumn, senior Slovene [redacted] were implicated [redacted] arms [redacted] (speaking anonymously) [redacted] the operations [redacted] help Croatia and [redacted] against [redacted], but sceptics [redacted] the [redacted] profit. Mr [redacted] the scandal [redacted] "transitional period" [redacted] history [redacted] an independent [redacted]

Convinced that European integration depends [redacted] resolving disputes with its neighbours, Slovenia has [redacted] on improving its [redacted] with Croatia. [redacted] against domination by Belgrade, they are locked in a quarrel over [redacted] tiny stretch of frontier.

Over the past [redacted] months Slovenia and Croatia have signed six [redacted] (including [redacted] fishing) and [redacted]vened working groups to deal with remaining points [redacted] difference. "They have a hot-cold relationship. But now it [redacted] a year, that they [redacted] trying [redacted] it on [redacted] footing," [redacted] diplomat. However, according to [redacted] polls [redacted] in [redacted] capitals, [redacted] a high degree of mutual suspicion.

[redacted] lies the question of financing Krsko, [redacted] jointly-[redacted] nuclear power plant which supplies energy-starved [redacted]. Zagreb has agreed [redacted] one-third of [redacted] owed [redacted] plant, and [redacted] by [redacted]

The Bay of Piran, in the Adriatic, is another problem. Croatia [redacted] to divide the bay in half; Slovenia insists that the [redacted] were under Slovene police jurisdiction [redacted] the two countries [redacted] Yugoslavia [redacted]

[redacted] with Italy, on [redacted] other hand, have improved considerably. Italy has riled [redacted] time [redacted] time, by demanding the restitution of [redacted] rights [redacted] Italians who, after the [redacted] world war, [redacted] displaced from Istria, [redacted] of the [redacted] which belongs mostly [redacted] Croatia.

[redacted] has [redacted] reciprocal representation [redacted] its minority [redacted] in Italy. [redacted] Italians have their legal representative in the Slovene parliament," [redacted] Peterle, "[redacted] should have the [redacted] rights."

Like [redacted] Slovenes, Mr Peterle has adopted [redacted]matic approach. Slovenia, [redacted] explains, [redacted] push forward with European integration. "We will [redacted] negotiations [redacted] spring. [redacted] lot [redacted] do. Hundreds of laws [redacted] be changed – and in [redacted] meantime [redacted] forge [redacted] co-operation [redacted] central Europe."

The tourist industry wants Slovenia reinstated [redacted] a holiday destination

Lunch on the family farm

Swimming pools, horseback riding, tennis [redacted] – all [redacted] and more can [redacted] enjoyed at more than [redacted] farms [redacted] to holiday-makers in Slovenia, writes Laura Silber.

Take, for example, [redacted] Vhro[redacted] family farm, tucked into a hillside in Ivancna Gorica, [redacted] the heart of Slovenia. The farm boasts scenic walks, horse-drawn carriage rides, [redacted] a [redacted] to the nearby 12th century Sticna monastery. [redacted] the [redacted] dining room, [redacted] by [redacted] porcelain stove, young Ms Damjana Vrhovec [redacted] her guests home-made wine and schnapps [redacted] her mother, Majda, finishes cooking lunch.

Farm tourism has [redacted]lar for years. "We [redacted] give visi[redacted] whatever they [redacted] – sin[redacted] guests, city [redacted] learn about life on a farm, elderly couples [redacted] have [redacted] excellent food," [redacted] Mr Gregor Bogataj, representative for Vas, [redacted] co-operative tourist [redacted] by [redacted]

[redacted] varied countryside, which [redacted] down from [redacted] Julian Alps [redacted] valleys and plains to [redacted] Adriatic [redacted] Gorenjska, the Alpine region, with glacial lakes and evergreen forest, offers outdoor pursuits from mountaineering to golf. Stajerska, [redacted] is renowned for wine, beer, and [redacted] rejuvenating thermal springs. Primorska, [redacted] of Adriatic coastline, [redacted] haunting karst limestone [redacted]

But in [redacted] of [redacted] magnifi[redacted] scenery, [redacted] in the tourist industry complain that [redacted] country's 100,000 [redacted] not fully booked except [redacted] height of the summer [redacted] they [redacted] reinstate Slovenia [redacted] travel destina[redacted] for foreign [redacted] operators.

> **"Unfortunately geography [redacted] not most people's strong subject"**

[redacted] the break-up of Yugoslavia, [redacted] for coach [redacted] en [redacted] from Venice [redacted] capacity [redacted] filled [redacted] for holidays in Dubrovnik or other favourite spots [redacted] Croatia's Dalmatian coast. But [redacted]venia disappeared from [redacted] the [redacted] day war against the Yugoslav army, followed by indepen[redacted] in June [redacted]

It [redacted] difficult [redacted] erase [redacted] images [redacted] violence, [redacted] to convince prospective foreign tourists that the internecine fighting further south is far [redacted] enough [redacted] them to be completely safe in Slovenia. Mr Janez Repansek, an [redacted] government on tourism, says: "Unfortunately [redacted]phy is [redacted] most people's stron[redacted] subject. [redacted] have [redacted]ble locating Slovenia [redacted] the map ... we still must [redacted] them that Slovenia is no longer part of former Yugoslavia." And [redacted] "Even our [redacted] rate is below the E[redacted] average."

In spite of these difficulties, [redacted] in 1993 earned $800m in [redacted] currency – [redacted] largest single [redacted] (taking into [redacted] private transactions). Foreigners accounted for $1.6m [redacted] 5.3m nights last year, [redacted] cent [redacted] 1992. [redacted] Repansek [redacted] "It is slowly changing [redacted] better. Foreign guests who come [redacted] realise [redacted] nothing unusual – [redacted] no sol[redacted] refugees. They [redacted] they are on holiday in [redacted] normal [redacted] European [redacted]try," His job is to reassure tour operators [redacted] quality product offering good value. [redacted] tour operators [redacted] have promised [redacted] back. They [redacted] it [redacted] question [redacted] improving the product – they [redacted] waiting for their clients [redacted] be ready [redacted] come."

Meanwhile, plans are under consideration to [redacted] in Ljubljana, the capital, which is built on the ruins of the Roman city of Emona, [redacted] river Ljubljanica flows [redacted] baroque spires. Adria, [redacted] national [redacted]rier, has resumed daily flights from London.

Tourist [redacted] also smile delightedly at [redacted] medal-winning performances at [redacted] Olympics in Lillehammer. They regard [redacted] the [redacted] promotion [redacted] winter sports, where [redacted] choose between [redacted] unspoilt Alps, the birch [redacted] southern [redacted] Krajina region and Lipica, [redacted] village [redacted] famous Lippizaner [redacted] originally bred.

But if foreigners really [redacted] enjoy Slovenia, [redacted] holiday [redacted] a farm. [redacted] family and [redacted] will [redacted] waiting to [redacted] plates [redacted] *struklji* (a Slovene crêpe, prepared [redacted] 70 [redacted] or savoury ways), and [redacted] wine.

Gavin Gray profiles Henkel Zlatorog, the cosmetics company

Costs cut at all levels

On the face of it, Slovenia looks one of the [redacted] promising countries in central and [redacted] Europe for consumer [redacted] producers. Average [redacted] and production costs are the highest in the region and, with a population of only 2m, the country's domestic market is smaller than many cities in Europe.

Things seemed very different in May 1990, when Tovarna Zlatorog, the soap and cosmetics factory in Maribor, signed a joint venture agreement with Henkel, the German personal care products company. The two companies had been working together since 1968, both informally and through trade agreements. They hoped that setting up a joint venture would cement their relationship and help the factory lift its market share in the 23m strong Yugoslav market.

"The aim of the joint venture was to cover all of the former Yugoslav market," says Mr Ernst Hackel, [redacted] member of the board of Henkel Austria. "During the first year we ran into difficulties because we couldn't trade with Yugoslavia. After 1991, Henkel Zlatorog faced many problems."

Instead of pulling out after the break up of Yugoslavia, Henkel pressed ahead with the venture. In March this year it lifted its stake in the company to 51 per cent and it has invested DM20m so far, including DM5m for washing powder production. While new equipment has improved efficiency, the size of the workforce has shrunk from 1,264 when the joint venture was signed, to 591 today.

"The whole process of production has been changed to cut costs at all levels," adds Mr Andrej Mesaric, general director of Henkel Zlatorog. "Our western partner brought knowledge of production and the way a company should be run. Henkel not only cut the number of employees but also cut production costs, leading to a rise in productivity."

The factory is now producing cosmetics for Henkel Austria and is also exporting cosmetics to Romania. Even so, turnover is still down sharply, having fallen from DM200m in 1990 to DM110m in 1993. "Without Henkel we would have had considerable difficulties in surviving," says Mr Mesaric.

Henkel Zlatorog's managers are looking forward to the revival of their old markets in other former Yugoslav republics. In 1993, about 10 to 15 per cent of its sales were in Croatia and a further 3 per cent were in Macedonia.

Mr Hackel says: "If these trends continue, our market will rise in the next two to three years, from the present 2m in Slovenia to 10m people when these other former Yugoslav republics are taken into account."

Foreign investment is needed – and controversial, writes **Patrick Blum**

Legislation follows the EU line

Foreign investment [redacted] proved almost [redacted] controversial [redacted] privatisation, although both [redacted] a prominent role in [redacted] government's strategy to modernise the economy. Selling Slovene companies to foreigners is not popular, but officials are convinced [redacted] only a question [redacted] time before more people recognise the benefits.

"People are not very keen on foreign investment, but (their attitude) is changing. Many people want to buy their own company, but when they see the company cannot survive (without new capital and technology) they'll accept foreign investment," says Ms Mira Puc, managing director for the privatisation agency.

Foreign investment in Slovenia has been relatively small during the past 25 years, representing less than 8 per cent of aggregate gross domestic product, or 0.3 per cent of average annual GDP, according to the Vienna Institute for Comparative Economic Studies.

One of the reasons was the restrictive investment regime which limited foreign investment to contractual joint ventures in which the foreign partner could participate in the management of the company and share in the profits, but had no ownership rights. These contractual joint ventures were essentially quasi-credit arrangements making possible duty-free imports of machinery and equipment.

Regulations were substantially [redacted] in [redacted] leading [redacted] more foreign investment. Slovenia, with less than 9 per [redacted] of the population, received more than 25 per cent of total foreign investment in the former Yugoslavia [redacted] 1988 and 1991. Since 1988, more than 3,000 investment projects were realised with foreign investment of about DM1.8bn.

Over the years, the largest share of foreign investment has gone into manufacturing, followed by construction, trade, tourism and business services. Manufacturing investment has been concentrated in transport equipment, chemicals, electric appliances, and food and beverages.

> The biggest [redacted] has been Germany, with DM721m [redacted] at the end [redacted] September 1993

The biggest investor has been Germany with DM721m invested at the end of September 1993, followed by Austria with DM 332m (but with [redacted] largest number [redacted] investments), Italy with DM257m, and [redacted] with DM115m.

The new [redacted] allows for 100 per cent foreign ownership, although there are still restrictions limiting investment in sensitive sectors such as defence, aviation, telecommunications and the media. Foreigners cannot own land, although a joint venture with a foreign partner can.

The law acted as an incentive, but the break up of Yugoslavia and the onset of war frightened off many investors. Now the prospect of peace in Bosnia and, at some stage, of an end to UN sanctions against Serbia, is also encouraging investors to look again at Slovenia.

According to a recent Slovene government survey, most investors are attracted to Slovenia by the prospects of higher profits; building or expanding their markets in the region – including those in the much larger former Yugoslavia; the availability of a skilled labour force and low production costs compared with western Europe.

A stable legal framework for investors is gradually being put into place and this should also help. A new company law based on German company law was passed last June, bringing legislation into line with that in the European Union. Corporate taxation at 30 per cent is low, and new companies are exempt from tax in their first year.

COMMODITIES AND AGRICULTURE

Opec stresses discipline [redacted] production rise reported

By Robert Corzine

The Organisation of Petroleum Exporting [redacted] yesterday reminded members [redacted] of the importance of production discipline amid reports that its output in March exceeded the 24.52m-barrels-a-day ceiling.

Dr Subroto, secretary general, said "the most important thing now is production discipline". He thought prices in the second quarter, usually the weakest period for demand, would "not be too bad" if discipline was maintained.

He said final Opec production figures for March had not been compiled, although he acknowledged that they [redacted] likely [redacted] show [redacted] slight increase. Yesterday the Middle East Economic Survey reported that Opec output [redacted] 24.99m b/d last month, up from [redacted] b/d in February.

Dr Subroto, in London to [redacted] a conference on Opec's future, said the lack of cohesion among some [redacted] producers was one [redacted] the causes of the present problems.

Sheikh Ahmed Zaki Yamani, the former Saudi [redacted] minister, told the [redacted] Opec [redacted] were divided [redacted] two camps. The interests of big producers [redacted] capacity – Saudi Arabia, Kuwait and Iraq [redacted] it [redacted] resume exports – lay in "high volumes, low prices [redacted] expanding markets". [redacted] the other nine members, [redacted]ever, had little spare capacity and were mainly [redacted] in price [redacted]

Norwegian forecast increased

By Karen Fossli in Oslo

A fresh assessment of Norwegian oil and natural gas liquids prospects [redacted] that output will peak in 1996 [redacted] barrels a day, about [redacted] b/d [redacted] than predicted earlier and 19 [redacted] cent above [redacted] level.

According [redacted] a study [redacted] to be [redacted] by Wood Mackenzie, the Edinburgh-based [redacted] consultant, Norway will retain its number [redacted] ranking among [redacted] Euro[redacted] oil producers throughout [redacted]

WoodMac forecast earlier this year that production would peak [redacted] a daily [redacted] of 2.5m barrels and that Britain might [redacted] Europe's top producer. But the new assessment sees Norway maintaining production [redacted] 2.5m b/d throughout [redacted] This will [redacted] mainly by extended peak contributions [redacted] overall output by the existing Statfjord, Gullfaks, Oseberg and Snorre [redacted]

[redacted] consultant sees comparable UK production being [redacted] a steady level [redacted] 2.4m b/d during [redacted] period while Norway's output will go from strength [redacted] strength, rising [redacted] b/d in 1993 [redacted] b/d [redacted], and shooting up [redacted] and [redacted] In 1996 [redacted] field developments [redacted] producing about [redacted] b/d, [redacted] existing [redacted] expected to account for over 75 [redacted] output.

Annual Norwegian [redacted] are forecast to reach [redacted] metres by early next century, more than [redacted] 1993 level [redacted]

WoodMac [redacted] of [redacted] capital expenditure for Norwegian [redacted] develop[redacted] significantly higher than [redacted] it was thought [redacted] capital expenditure would [redacted] steadily through [redacted] about [redacted] by [redacted] of [redacted] century from [redacted] peak [redacted]

"Despite [redacted] forecasted lower levels of [redacted]ital expendi[redacted] we [redacted] NKr210bn (nominal) will [redacted] Norway over [redacted] five years. Over NKr30bn per annum is expec[redacted] until [redacted] year 2000," [redacted]

Labour shortage delays rubber tapping

About 540,000 hectares of rubber trees [redacted] Malaysian smallholdings [redacted] untapped, mainly because of a shortage of workers, the Rubber Industry Smallholders Development Authority said, reports Reuter from Kuala Lumur.

Mr Shahabuddin Shafie, the authority's director-general, was quoted by [redacted] local newspaper as saying that the figure accounted for 30 per cent of the 1.8m rubber trees in Malaysia.

"The industry [redacted] facing a serious shortage and that [redacted] why the [redacted] have been [redacted] untapped," [redacted] said. "People prefer to work [redacted] than in rubber smallholdings [redacted] if [redacted] unchecked [this] will [redacted] the rubber output."

Malaysia's rubber output fell [redacted] 1.07m [redacted] from 1.17m [redacted]

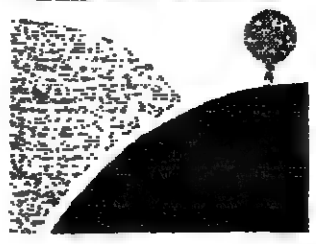
The country's central bank, in [redacted] 1993 annual report, [redacted] that production in [redacted] smallholding sectors, [redacted] contributed [redacted] 70 per [redacted] of [redacted] country's output, [redacted] by [redacted] per cent in [redacted] 851,800 [redacted]

[redacted] authority [redacted] looking into [redacted] of curing the labour shortages in the country's rub[redacted] industry. "This will include increasing [redacted] of rubber tappers to [redacted] competitive [redacted] those in the construction or [redacted] industrial sectors," Mr Shahabuddin said.

Market forces leave UK research in limbo

Funding cuts have left a yawning gulf between pure and applied agricultural science

FARMER'S VIEWPOINT



By David Richardson

The name of John Innes will always be associated chiefly with garden compost. But an equally impor[redacted] contribution to agricul[redacted] the founder [redacted] firm [redacted] originated plant nutrient analysis for that growing [redacted] was his [redacted] of the [redacted] institute bearing his name. For many [redacted] the institute [redacted] under the management of the UK Ministry of Agriculture and a few weeks ago the Cambridge Laboratory and the Nitrogen Fixation Unit were incorporated into it under the umbrella title of The John Innes Centre.

Situated on the outskirts of Norwich, [redacted] is now [redacted] power house of basic, strategic [redacted] into [redacted] aspects [redacted] agriculture [redacted] co-operate closely [redacted] the Sugar and [redacted] Research Insti[redacted] University [redacted] Anglia, [redacted] the same [redacted] park.

[redacted] Friday Mrs [redacted] Sheppard, the Minister of Agriculture, [redacted] centre [redacted] review [redacted] of [redacted] In particular [redacted] at pioneering plant breeding meth[redacted] enable oilseed rape to become one of the most versatile plant [redacted] world.

[redacted] how, by using transgenic [redacted]niques, they hoped to be able to create several [redacted] of the crop. Each would have its own characteristics, [redacted] oil produced to be [redacted] in particular industrial [redacted] and industrial nylon [redacted] and detergents. Further[redacted] replace the non-renewable, [redacted] pro[redacted] the [redacted] and [redacted] implications [redacted] environment friendly.

"[redacted] our job," [redacted] told the minister, "only [redacted] develop the technology." And he conceded that the ministry was funding this basic research to the tune of £1.4m. Having developed the technology, however, under the terms of its remit the centre is forced to rely on industry to exploit and commercialise the science.

In the case of new oilseed rape varieties there is no shortage of commercial interests ready to take on the exploitation. But when new technology fails to indicate almost imme[redacted] economic opportunities, [redacted] when a promising product is [redacted] new that there is no immediate market for it, the work is not always developed to full [redacted]tial.

[redacted] ministers [redacted] agriculture have seen fit to cut expenditure on agricultural [redacted] and [redacted] particular that [redacted] the [redacted] dubbed "near [redacted]". In [redacted] on [redacted] application [redacted]

Since [redacted], for instance, [redacted] lopped [redacted] ministry's [redacted] research budget – [redacted] of [redacted] from [redacted] sector. That has [redacted] in expenditure [redacted] advisory services, which previously assessed and disseminated scientific developments to both farmers and the wider agricultural industry.

Ministry expenditure on agricultural research remains sub[redacted] £128m a year. But [redacted] scientists [redacted]d farmers now believe that the virtual removal of the applied [redacted] from government funding has left [redacted] yawning gulf between [redacted] ivory towers, like [redacted] John Innes Centre, and the people [redacted] ground who could benefit from their work.

Attempts are being made to bridge [redacted] gulf by farmer-funded [redacted] that concentrate on applying research. [redacted] growers, for instance, contribute to such work via a statutory levy on all grain sold; and [redacted] beet growers fund the vast majority [redacted] on that [redacted] through [redacted] long standing R & D levy.

This week milk producers will [redacted] to [redacted] for or [redacted] levy [redacted] all milk [redacted] winding up [redacted] Marketing Board. The levy, which is likely to be fixed in the first instance [redacted] 0.04p per litre, would [redacted] per year for research and market development and fund a new Milk Development Council.

There can be no doubt that the new body is necessary and it [redacted] almost inconceivable [redacted] milk producers will [redacted] against it. But many farmers [redacted] grown used to free access [redacted] research over the years and it now offends them to have to pay. Such feelings are exacerbated by [redacted] fact that even ADAS, the government's advi[redacted] service [redacted] farmers, has now gone commercial. Even to have the right [redacted] telephone an advisory officer, who, [redacted] few [redacted] would have given his full management or agronomic [redacted] free of charge, now costs an annual subscription of £225.

That, of course, is the reality of market forces and undoubtedly far[redacted] will have to get used to the change of culture. Nevertheless if, [redacted] probable, valuable [redacted]nd expensive government funded basic research is failing to be applied because of the lack of a co-ordinated approach it may [redacted] nec[redacted] in order simply [redacted] for money, for the ministry [redacted] some [redacted] "near market" [redacted]

Wood pulp prices go higher still

By Bernard Simon in [redacted]

North American and European [redacted] pulp producers are [redacted]ing advantage of unexpectedly strong paper markets to push through another hefty price increase.

Several companies have noti[redacted] 10 [redacted] twood [redacted] pulp, [redacted] try's staple product, bringing [redacted] price [redacted]

The [redacted] increase means [redacted] pulp prices have soared by more than 40 per cent since the market [redacted] to life [redacted] autumn, [redacted] they [redacted] far [redacted] the peak of $840 [redacted] reached in [redacted] 1980s.

[redacted] Roger Wright, a [redacted] pulp and paper consultant, said there was "a 50-50 chance" of prices rising to $600 [redacted] tonne by the [redacted] predicted [redacted] weakening before then. Mr Timo Poranen, chief executive of Metsa-Serla, the [redacted] forest-products group, forecast a price [redacted] $550 [redacted] the end of 1994. [redacted] Poranen [redacted] that [redacted] pulp [redacted] had undergone [redacted] important structural change [redacted] recent [redacted] a widening variety of grades [redacted] total stock requirements.

[redacted] for paper [redacted] especially strong in Europe, where prices for printing and writing grades rose by 10 [redacted] the first quarter and [redacted] expec[redacted] by [redacted] margin over the next three [redacted] Mr Wright [redacted] that delivery [redacted] lengthened from two weeks last autumn to [redacted]

Pulp prices [redacted] also responded [redacted] disruptions in wood supplies from Russia and Finland, and higher [redacted] by eucalyptus woodlot owners in Spain and Portugal.

Pressure [redacted] stocks [redacted] heightened by [redacted] of a strike [redacted] Columbia pulp mills later [redacted]

[redacted] many [redacted] could prove temporary, [redacted] wood and pulp supplies rising sharply [redacted] Mr Wright [redacted] experience [redacted] pulp producers "shoot themselves in [redacted] foot when they're in [redacted] strong position".

MARKET REPORT

Coffee [redacted] fresh peaks

COFFEE futures surged in late trading yesterday [redacted] markets [redacted] peaks.

At the London Commodity Exchange [redacted] July position closed at $1,468 [redacted] tonne, up $31 [redacted] day, [redacted] dipping to $1,423. "There's [redacted] of [redacted] anticipated correction," one [redacted] Another noted [redacted] was looking relatively [redacted] prices, reflecting [redacted] robusta supplies.

London [redacted] Exchange COPPER [redacted] ALUMINIUM prices [redacted] higher in tandem towards [redacted] end of [redacted] "kerb" session, with [redacted] latter looking [redacted] short-term gains, dealers said.

Aluminium recovered [redacted] from [redacted] midday slip below $1,330 [redacted] tonne, for three months metal, and with buyers prepared [redacted] defend $1,320 [redacted] to [redacted] up $5 from Friday's kerb close.

The GOLD price slipped rapidly in the afternoon [redacted] Bullion Market [redacted] fix at its [redacted] March 10, [redacted] reacted [redacted] fresh selling, mainly of silver, [redacted] York Commodity Exchange.

[redacted] troy [redacted] down $5.45 on [redacted] day. Silver [redacted] 7 [redacted] ounce.

Compiled from [redacted]

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1299.5-300.5	1324-4.5
Previous	1294.5-5.5	[redacted]
High/low		1335/1324
AM Official	1308-6	1329.5-30
Kerb close		1329-30
Open int.	259,656	
Total daily turnover	49,084	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1300-03	1312-5
Previous	1290-5	1303-5
High/low		1330-15
AM Official	1317-20	1325-8
Kerb close		1317-18
Open int.	4,726	
Total daily turnover	884	

■ LEAD ($ per tonne)

Close	443-4	457-8
Previous	[redacted]	452.5-3.0
High/low	441/440	459/453
AM Official	440.5-1.0	453-3.5
Kerb close		458-8.5
Open int.	34,016	
Total daily [redacted]	[redacted]	

■ NICKEL ($ per tonne)

Close	5450-60	5610-20
Previous	5465-75	5630-35
High/low	5438/5435	5640/5470
AM Official	[redacted]	[redacted]
Kerb close		5530-35
Open int.	[redacted]	
Total [redacted]	11,075	

■ TIN ($ per tonne)

Close	5440-50	5485-500
Previous	5455-60	5612-15
High/low		5520/5480
AM Official	5445-50	5500-05
Kerb close		5520-25

Precious [redacted] continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

SOFTS

■ COCOA LCE (£/tonne)

MEAT AND LIVESTOCK

■ LIVE CATTLE CME [redacted] cents/lbs)

ENERGY

PRECIOUS METALS

LONDON TRADED OPTIONS

LONDON SPOT MARKETS

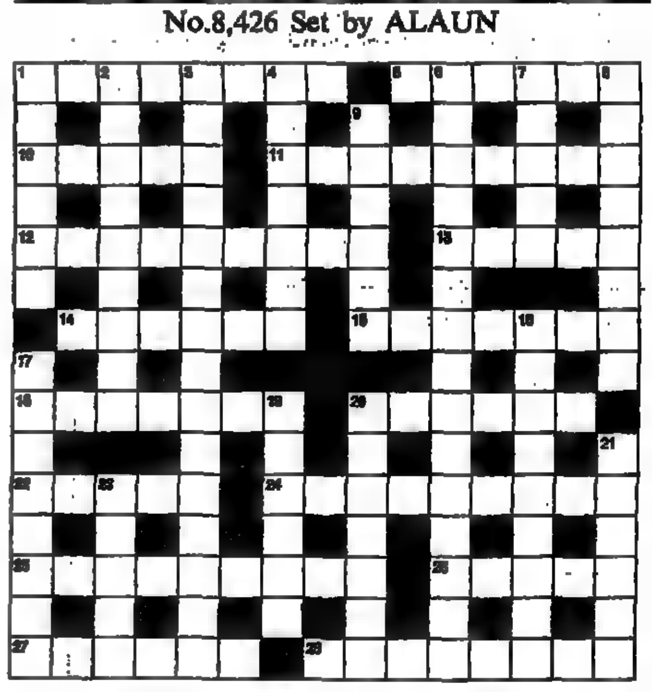
INDICES

Tea

There was good general demand, reports the Tea Broker's Association. The few brightest East Africans met keen competition at dearer rates, while good mediums were more irregular. Mediums were firm to dearer but plainer Africans tended easier with the exception of brighter Malawis which advanced. Good liquoring ceylons sold well and were often 5 to 10p dearer but medium and plainer descriptions were easier. Ceylons were well supported with better quality dearer, others fully firm. Zimbabwe teas tended easier but Malawis were fully firm. Quality 220p/kg. nom, good quality 155p/kg, good medium 140p/kg, medium 121p/kg low medium 88p/kg. The highest price realised this week was 268p for a Rwanda pd.

CROSSWORD

No.8,426 Set by ALAUN



ACROSS

1 I don't know who, but [redacted] figure! (8)
[redacted] To be obstructive, but don't retire (4,2)
10 Answer to the doctor's "Who's the wine for?" (5)
11 Fight one aims to win (3,6)
12 A testy "I'm not a member of the [redacted]spi[redacted] staff" (9)
13 To take the sun, about to find a seat (5)
14 Goes further than making [redacted]
15 They warn to get back into shore when it's stormy (7)
[redacted] Your behaviour as you take the baton? (7)
20 Fish successfully again [redacted] t[redacted] turn of the river (4,2)
22 Change to "a pound and half [redacted] butter" [redacted]5)
24 A statuette of the devil with protruding [redacted] and slop[redacted]
25 Strange occurrences when given the wrong name to [redacted]ne, mistakenly (9)
26 [redacted] that plus that [redacted] a star! (5)
[redacted] Become decrepit [redacted] more peculiar by the day (6)
28 In a word, finds it hard [redacted] come to a conclusion (8)

DOWN

1 Top [redacted] most [redacted] the [redacted] and it's going up (6)
[redacted] Said unequivocally, must be stripped of ornaments (4,5)
3 [redacted] new start for the crossword compiler [redacted]
4 Wander off, in conversation with someone (7)
6 You've got [redacted] there. Now we're talking! (5,4,4,2)
[redacted] For a yard man, one v[redacted] (5)
8 Unbetterable advice to those overkeen on viewing? (8)
9 Can't play whist, having to go out for a bit (6)
16 Form written in [redacted]ch (9)
[redacted] Was a fighter but was useless [redacted]
19 A little label saying "medication" (6)
20 New version of [redacted] gaudily coloured float (7)
21 That makes about fifty odd years of races (6)
23 Their tips on the [redacted] fashion (5)

Solution to Saturday's prize puzzle on Saturday April 23.
Solution to yesterday's prize puzzle on Monday April 25.

JOTTER PAD

صكذا من الاصل

LONDON STOCK EXCHANGE

MARKET REPORT

Strong close but trading volume slips lower

By Terry Byland,
UK Stock Market Editor

The [illegible] day of the [illegible] equity trading session saw UK stocks in better form, although the market [illegible] first from British government bonds and, later, from a promising start on Wall Street. By the close, London was following New York step for step, closing very firmly as the Dow Industrial Average swung higher in early trading after Ms Elaine Garzarelli, the widely regarded Lehman Brothers analyst, [illegible] fore[illegible] for [illegible] market.

The FT-SE 100 Index [illegible] the day's best reading of 3,149.4 with a net [illegible] of 28.6. A [illegible] of large deals in blue chip [illegible] traded [illegible] close. After slipping briefly [illegible] the opening, the market advanced smartly [illegible] more [illegible] views on the inter[illegible] outlook. The Footsie showed a gain of 28.1 before a [illegible]vous opening on Wall Street trimmed [illegible] in London.

The [illegible] market lagged behind equity markets [illegible] France and Germany, which responded [illegible] increasing confidence [illegible] the Bundesbank will [illegible] rates again [illegible] week. Equity investors took a neutral view of the [illegible] bank credit [illegible] in February, which [illegible] seen as implying [illegible] consumer spending had stood up well ahead [illegible] the increases [illegible] phased in [illegible] month.

The [illegible] Mid 250 Index [illegible] the trend of the Footsie, closing 24 points [illegible] on [illegible] day at 3,779.5. Seaq volume gathered [illegible] the session developed, [illegible] closing total of [illegible] shares compared with [illegible] on Friday. Retail, or [illegible]tomer, [illegible] was [illegible] £1.79bn on Friday, at the higher end of daily [illegible] levels.

[illegible] encouragement was seen in the [illegible] market's buoyancy in [illegible] the [illegible] the first equity trading [illegible] of the new tax year in [illegible] UK. But the London [illegible] appeared to [illegible] other [illegible] yesterday, and some[illegible] lacking in self-direction.

Account Dealing Dates		
*First Dealings:		
Mar 28	Apr 11	Apr 25
Option Declarations:		
Apr 7	Apr 21	May 12
Last Dealings:		
Apr 8	Apr 22	May 13
Account Day:		
Apr 18	May 3	May 23

*New time dealings may take place from two business days earlier.

London's close pursuit of the New York market towards [illegible] close [illegible] trading caused some analysts to warn [illegible] Street could be tested tomorrow when the latest US retail sales and consumer price sta[illegible] are due.

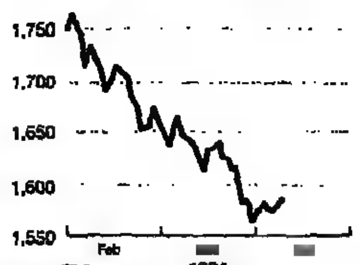
Equity strategists continued [illegible] compar[illegible] the London [illegible] market [illegible] with that of Wall Street. [illegible] Salomon Brothers International, Mr Marcus Grubb commented that Continental [illegible] are likely to remain "less vulnerable" than the UK [illegible] inflation fears, which he [illegible] prompted by [illegible] strength of [illegible] economy and expectations of further tightening of [illegible] policy by the Federal Reserve.

Mr Peter Lyon of Smith New Court [illegible] clients that economies outside the [illegible] have "plenty [illegible] spare capacity" and that their bond and equity [illegible] can continue [illegible] make progress [illegible] if the Federal Reserve tightens policy further.

The Footsie was helped by renewed strength in [illegible] oil majors [illegible] investors began [illegible] anticipate firmer crude oil prices [illegible] global economies extend their recovery. Gains [illegible] fairly eveny spread [illegible] manufacturing [illegible]. There [illegible] renewed support for financial stocks, where the life assurance companies [illegible] out.

Consumer [illegible] ahead as [illegible] bank credit numbers for February [illegible] digested by the market. But across the [illegible] of [illegible] market, [illegible] support [illegible] still cautious and [illegible] were wary of a return [illegible] the volatile trends seen in equities [illegible] three [illegible].

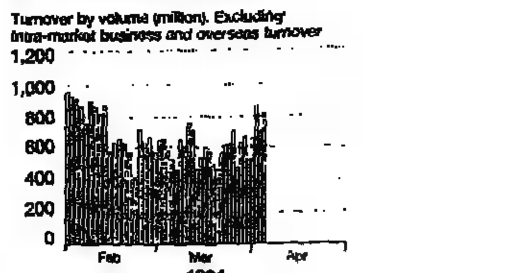
FT-SE-A All-Share index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE [illegible]	3149.4	[illegible]	FT [illegible]	2488.4	+21.1
FT-SE Mid [illegible]	3779.5	[illegible]	FT-SE-A Non Fins p/e	[illegible]	[illegible]
FT-SE-A 350	[illegible]	+13.5	FT-SE 100 Fut Jun	3158.0	+37.0
FT-SE-A [illegible]	[illegible]	+12.63	10 yr [illegible]	7.59	(7.69)
FT-SE-A [illegible] yield	[illegible]	[illegible]	Long gilt/equity [illegible] ratio:	[illegible]	(2.16)

Best performing sectors

1. Property ... +1.9
2. Life Assurance ... +1.7
3. Leisure & Hotels ... +1.5
4. Telecommunications ... +1.5
5. Electronic & Elec ... +1.4

Worst performing sectors

1. Tobacco ... -1.8
2. Pharmaceuticals ... -0.3
3. Merchant Banks ... +0.0
4. Consumer Goods ... +0.1
5. FT-SE SmallCap ex [illegible] ... +0.1

Property sector favoured

Property shares moved sharply ahead [illegible] positive [illegible] on the sector from Goldman [illegible] was underpinned by some bullish industry and weekend [illegible].

The US investment bank put Land Securities on its recommendation list and the shares [illegible] advance, moving ahead 22 to 657p with 2.6m traded.

Mr [illegible] Stanley at Goldman [illegible] pessimism [illegible] outlook [illegible] property [illegible] overdone. "Areas of [illegible] are starting [illegible] look overbought. Share prices currently [illegible] property [illegible] an [illegible] yield compared [illegible] yield in the [illegible] market [illegible] 7.5 [illegible] and falling. [illegible] property [illegible] good value."

Burmah advances

Burmah [illegible] sprinted ahead, closing 11 firmer [illegible] after the group's preliminary [illegible] came in [illegible] the very top [illegible] of market expectations. But it was the dividend increase, up 9 per cent on the year [illegible] 27.5p, [illegible] caught [illegible] eye. [illegible] analysts had [illegible] expecting [illegible] payment [illegible] 26.5p, with [illegible] handful of super-optimists [illegible] 27p.

[illegible] sector specialists said [illegible] a positive post-results [illegible] to the market, hinting [illegible] German [illegible] European business could [illegible] turning [illegible] and emerging from [illegible].

[illegible] Irene Himona, an oil [illegible]tor analyst [illegible] Turnbull, [illegible] stockbroker, [illegible] long term supporter [illegible] Burmah [illegible] shares, [illegible] market had adopted a much [illegible] bear[illegible] view [illegible] company which, [illegible] added, should [illegible] a market price/earnings [illegible] the [illegible] per [illegible] discount for [illegible]. "Burmah [illegible] is positioned [illegible] increase [illegible] by 10 per [illegible] two years and [illegible] up with dividend [illegible] of 1.9 times," said Ms Himona.

The pharmaceuticals [illegible] under [illegible] spate [illegible] minor irritants [illegible] on Zeneca and [illegible] and reinforced [illegible] precarious standing within [illegible] London [illegible].

[illegible] 5 [illegible] at [illegible] after [illegible] Food and Drug Administration ordered more stringent labelling [illegible] cancer product. Although the [illegible] drug's links [illegible] of the [illegible] known, the [illegible] towards tighter policing and a subsequent warning letter to [illegible] knocked sentiment.

Meanwhile, Glaxo, which market's Zantac, the world's top-selling anti-ulcer drug, suffered from [illegible] that US company Lederle [illegible] co-promoting an anti-ulcer [illegible] with SmithKline Beecham (steady [illegible] 370p). It [illegible] affected by the realisation [illegible] the appeal by Novopharm against Glaxo's patent on [illegible]tac started yesterday. Glaxo fell 6 [illegible] 598p.

Elsewhere, [illegible] rose 14½ to 561p xd [illegible] announcing details [illegible] the streamlining of its research [illegible] development management structure and was also helped by [illegible] that [illegible] Securities had upgraded forecasts. [illegible] pharmaceuticals team [illegible] unavailable for comment.

Shell, closing only marginally higher at 374p.

[illegible] Oil [illegible] 8 to 447p, after 450p with [illegible] pointing [illegible] higher leverage [illegible] oil prices than [illegible] of the integrated [illegible].

Vodafone was [illegible] performer [illegible] a generally strong [illegible], the [illegible] slipping 8 to 337p amid US selling and switching into BT [illegible]. The latter, helped by improving sentiment towards far [illegible] markets, rose 8 to 452p. BT were [illegible] similar [illegible] up at 396½p.

The emerging [illegible] story in [illegible] Group [illegible], which acquired [illegible] per cent stake [illegible] couple [illegible], adding [illegible] holding [illegible] purchases of [illegible] by a number [illegible] its [illegible] management [illegible] now speaks for [illegible] per [illegible] of Hogg's [illegible] capital. [illegible] 4 higher [illegible] 215p.

A stock shortage was thought [illegible] exaggerated gains in composite [illegible] where Sun Alliance [illegible] particularly strong [illegible] 11 [illegible] 351p. [illegible] Govett's buy recommendation continued [illegible] drive Prudential, [illegible] another 10 higher [illegible] 330p.

NatWest Securities fretted [illegible] standards in the stores [illegible] concern on [illegible] at Pentos. Shares in the [illegible] street [illegible]. The [illegible] also [illegible] Next and Boots on to its buy list, the [illegible] gaining 7 to [illegible], although the [illegible] steadied [illegible] 231½p.

News of improved sales and a capital injection lifted Brown & Jackson, the troubled discount retailer, 1¼ to 4¼p with a [illegible] 37m [illegible] changing hands.

[illegible] improved 3 [illegible] 315p [illegible] today. Profits [illegible] expected [illegible] fall from [illegible] the £530m-mark.

Building [illegible] raced higher [illegible] positive review of [illegible] UK construction output published by the [illegible] Council of Building [illegible] Producers.

[illegible] surged 11 [illegible] 320p, Hepworth 10 to [illegible] and Marley 6 [illegible] 174p.

British Airways gained [illegible]port [illegible] research notes, one from Kleinwort Benson and [illegible] other from Lehman [illegible]. [illegible] pointed [illegible] underperformance [illegible] good buying opportunity, with [illegible] underlining [illegible] quality [illegible] group's [illegible] traffic figures. BA shares put [illegible] 429p. Meanwhile, BAA [illegible]port from [illegible] New Court, the [illegible] adding [illegible] 975p. [illegible] AB Ports, [illegible] ahead [illegible] 547p.

Defence group GEC improved 7 [illegible] 318p on consider[illegible] of a Sunday newspaper [illegible] suggesting that the company [illegible] in talks with Fin[illegible] of Italy. Also, [illegible] Govett reiterated [illegible] trading buy [illegible] a block of 4m [illegible] went through the [illegible] 314p.

MARKET REPORTERS:
Peter John,
Christopher Price,
Steve Thompson.

■ Other statistics, Page 25

NEW HIGHS AND LOWS FOR [illegible]

[illegible]

[illegible] FUTURES AND OPTIONS TRADING

Stock index futures rallied sharply yesterday, pulling the underlying cash market upwards as investors shrugged off some of their concern that interest rates might be on the turn, writes Peter John.

The FT-SE 100 contract expiring in June opened the new account at 3,129, up from Friday's finish, [illegible] maintained the firm tone throughout [illegible] day, hitting a high of 3,164 before reaching an official trading close of 3,158. At that level it [illegible] about six points above its [illegible] fair value premium of around seven points, which has been recalculated for the new account.

Traders said there was support from Salomon Brothers International and NatWest Securities, as well as "locals", or independent traders. One enthusiastic dealer commented: "The future has been fat all day" but it was thriving on junk food – turnover of less than 10,000 contracts suggested that the fundamental support in the market was thin.

Traded options, meanwhile, saw only 29,000 contracts traded, busier than Friday's desultory level which saw only 21,766 lots changing hands but still uninspiring. Among stock options, Glaxo ended the day as the most active with 3,310 lots dealt, followed by BT with 2,542 and Lucas with 1,644. Shell Transport and Rolls-Royce were also heavily traded.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	[illegible]	[illegible]	[illegible]	Low	Est. vol	Open int.
Jun	[illegible]	3158.0	+37.0	3178.0	3128.0	10347	54370
Sep		3175.6	+36.6			0	666
Dec		[illegible]	[illegible]			0	10

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

[illegible]	3770.0	3790.0	[illegible]	3790.0	3770.0	47	[illegible]

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

Jun	3772.0	3795.0	+23.0	3772.0	3772.0	10	898

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) [illegible] £10 per full index point

[illegible]

Calls 3,092 Puts 5,265

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

Calls 3,002 Puts 115 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

[illegible]

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

TRADING VOLUME

■ Major [illegible] Yesterday

[illegible]

FT-SE Actuaries Share Indices — The UK Series

[illegible]

LONDON EQUITIES

[illegible] EQUITY OPTIONS

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	57	5	12
Other Fixed Interest	2	0	13
Mineral Extraction	[illegible]	77	79
General Manufacturers	[illegible]	98	350
Consumer Goods	59	38	96
Services	[illegible]	75	275
Utilities	[illegible]	7	10
Financials	147	55	177
Investment Trusts	196	22	254
Others	39	70	41
Totals	857	448	1309

Data based on those companies listed on the London Share Service.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	1994 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
100	F.P.	40.0	100	98	Abtrust High Inc	100	+1	-	-	-	-
135	F.P.	40.9	142	134	Applied Distbn	136	-1	WN8.6	2.4	3.3	15.9
100	F.P.	11.2	88	85	Baronsmead Inv	88		-	-	-	-
165	F.P.	468.2	166	158	Beazer Homes	165	+4	[illegible]	2.2	3.8	14.6
-	F.P.	776.1	216	205	Capital Shop C'tre	215		[illegible]	0.7	3.8	51.7
-	F.P.	9.51	£87½	£85½	Chester Water	£86		†235.0	4.3	3.4	8.9
[illegible]											

RIGHTS OFFERS

[illegible]

FINANCIAL TIMES EQUITY INDICES

[illegible]

FT GOLD MINES INDEX

[illegible]

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£23		£25⅝	£22½	6,611	4.7	♦
ANZ A$		233½	-2¼	278¼	220½	3,665	3.8	18.4
Abbey National	N□	487xd	+3	523	463	6,137	3.7	15.7
Allied Irish I£		249xd	+4	314	241	1,640	5.0	♦
Anglo Irish I£		58		*70	55	192.7	7.7	10.2
Asahi Y		729	+20	789¼	628	16,917	0.7	–
Banco Bil Viz Pta		£19		£1°2,½	£14	3,487	5.4	6.8
Banco Sant Pta		£31⅝		£34⅝	£29	3,513	4.3	12.1
Bk Ireland I£		258	+3	*319	245	1,218	4.8	19.0
Bank Scotland		185	+2	247	183	2,188	3.1	25.5
9¼pc Pf		128	+½	141½	126½	128.0	9.0	–
9¾pc Pf		135	+½	148½	131½	135.0	9.0	–
Barclays	N□	529xd	+3	640	487	8,591	3.8	21.9
Dai Ichi Kan Y		£12¼		£12	£10	38,833	0.4	68.8
Deutsche DM		£322	+3	£344¼	£298¼	15,345	1.9	–
Espirito Santo		£20		£26	£19	223.1	3.8	5.0
First Nat Fin	N□	78		*90	69	116.0	2.7	–
6.3pc Cv Pf		85		*90	77	5.72	9.3	–
7pc Cv Pf		149½	-½	171	123	70.5	5.9	–
Fuji Bank Y		1484¼	-4¾	1505½	1152½	42,975	0.4	–
HSBC HK	□	787xd	+17	1133	749	13,995	3.7	♦
HSBC (75p Shs)	□	780xd	+20	1113	733	8,598	3.8	♦
Lloyds	N□	565xd	+4	680	540	7,278	4.9	11.9
Mitsubishi Y		£1053		£1813		54,408	0.3	–
Mits Tst & Bk Y		1027¼	+2¾	1034¼		13,384	0.5	16.5
Mitsui Tst & Bk Y		755¼	+1	811¼	514	9,848	0.7	25.7
Nat Aust A$		589	-1½	620¼	537¼	7,481	4.2	13.9
NatWest	N□	478xd		622	448	7,949	4.8	10.9
Ottomane FFr		230½		233	227½	152.5	4.8	7.3
Rvl Bk Scotland	N□	408	+1	528	399	3,247	3.4	18.4
Sakura Y		69¼		69	68¼	30,043	0.8	56.8

[illegible]

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

ENGINEERING, VEHICLES - Cont.

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

LEISURE & HOTELS - Cont.

OIL, INTEGRATED

PROPERTY - Cont.

SPIRITS, WINES & CIDERS

TRANSPORT - Cont.

WATER

SUPPORT SERVICES

OTHER FINANCIAL

AMERICANS

LIFE ASSURANCE

MEDIA

OTHER SERVICES & BUSINESSES

CANADIANS

TELECOMMUNICATIONS

TEXTILES & APPAREL

OTHER INVESTMENT TRUSTS

SOUTH AFRICANS

RETAILERS, FOOD

GUIDE TO LONDON SHARE SERVICE

INVESTMENT COMPANIES

PHARMACEUTICALS

MERCHANT BANKS

RETAILERS, GENERAL

PRINTING, PAPER & PACKAGING

OIL EXPLORATION & PRODUCTION

TOBACCO

TRANSPORT

LEISURE & HOTELS

PROPERTY

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FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service [redacted] available for [redacted] outside the UK, annual subscription £250 [redacted]. Call 071-873 4378 (+44 71 873 [redacted] international) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

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FT MANAGED FUNDS SERVICE

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T.U. Fund Managers Limited (1200)H

Templeton Unit Trust Managers Ltd (1200)F

Thornton Unit Managers Ltd (1200)F

Abbey Life Assurance Co Ltd

Pension Funds

Abbey National Life Plc

Canada Life Group

Century Life Plc

OTHER UK UNIT TRUSTS

INSURANCES

FT MANAGED FUNDS SERVICE

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Scottish Amicable

150 St Vincent St, Glasgow 041-248 2323

Life Funds (First Series)	Bid Price	Offer Price	+ or -	Yield Gross
Managed	467.8	492.5	+2.50	–
Equity	578.2	608.7	+1.90	–
Property	288.5	303.7	–	–
International	481.7	506.6	+3.00	–
Japanese	132.1	139.1	+1.80	–
Asia Pacific	186.9	196.8	+3.20	–
European	133.7	140.8	+0.50	–
American	160.3	168.8	-1.00	–
Fixed Interest	368.9	386.3	+2.90	–
Index-Linked Gilt	195.7	206.0	+0.20	–
Cash	225.4	237.3	–	–
Life Funds (Second Series)				
Managed	130.8	137.7	+0.70	–
Equity	124.9	131.5	+0.50	–
Property	121.8	128.1	–	–
International	149.4	157.3	–	–
Japanese	133.0	140.0	+1.90	–
Asia Pacific	184.1	193.8	+3.10	–
European	133.1	140.2	+0.50	–
American	157.3	165.6	-1.00	–
Fixed Interest	138.8	145.9	+1.10	–
Index-Linked Gilt	125.6	132.3	+0.20	–
Cash	112.2	118.2	–	–
Pension Funds				
Building Society	179.9	189.4	–	–
Managed (Init)	260.4	274.2	+1.80	–
Managed (Acc)	541.8	570.4	+3.80	–
Equity (Init)	286.4	301.5	+2.10	–
Equity (Acc)	595.8	627.2	+4.30	–
Property (Init)	174.9	184.2	+0.10	–
Property (Acc)	364.0	383.2	–	–
International (Init)	275.3	289.8	+2.10	–
International (Acc)	572.8	603.0	+4.50	–
Fixed Interest (Init)	230.9	243.1	+2.00	–

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

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FT MANAGED FUNDS SERVICE

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LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

MARKETS REPORT

Political fears boost yen

Bullish predictions about the outlook for the currency and concern about a political vacuum in Japan [illegible] the yen to appreciate on foreign exchanges yesterday, *writes Philip Gawith.*

The Japanese currency finished in London at Y103.325 against the dollar, compared with Y104.50 where it started the day. The trigger for selling was a [illegible] from the US economist, Mr Fred Bergsten, [illegible] dollar could fall to a [illegible] of Y90-100 if Japan failed to stimulate [illegible] economy.

This forecast played on the nerves of a market already nervous [illegible] implications of the resignation last Friday of prime minister Mr Morihiro Hosokawa.

In Europe the lira continued its rise as further evidence emerged over the [illegible] of co-operation between the victorious coalition partners in the [illegible] elections. After touching a high of L946 against the D-Mark, the lira [illegible] ground to finish at L950.3, compared with Friday's close of [illegible]

[illegible] generally fairly quiet, with attention focused more on [illegible] later in the week: the release of [illegible] and UK [illegible] price data, and the Bundesbank council meeting on Thursday.

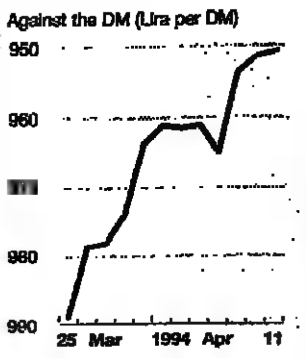
■ Mr David Barrett, proprietary trader at Natwest Markets, said the market had recently been fickle towards the yen and Mr Bergsten's [illegible] provided the excuse it needed to buy the currency. Although not part of government, [illegible] is [illegible] as reflecting the views of the Clinton administration on the dollar/yen rate.

Another reason for yen strength is the view that the [illegible] may find Mr Hosokawa's [illegible] less to its liking. Mr Barrett said the question the market is asking itself is "Will it (the resignation) accelerate the trade war?" He predicts that the dollar will remain soft until there is clarity about a new prime minister and cabinet.

Mr Adrian Cunningham, senior currency economist at [illegible] in London, said he would not discount the dollar falling below Y103 and testing record lows against the yen.

Lire

Against the DM (Lira per DM)



Source: Datastream

[illegible] York		
Apr 11	Latest	Prev. close
£ spot	1.4715	1.4768
1 mth	1.4698	1.4750
3 mth	1.4671	1.4718
1 yr	1.4621	1.4655

Against the D-Mark, the dollar was [illegible] slightly weaker, closing at DM1.708 from DM1.7134.

■ The D-Mark had a mixed performance in Europe. It [illegible] slightly lower against the [illegible] at [illegible] from FFr3.427 on Friday. It [illegible] lower against the lira and the escudo, but was unchanged against the peseta and up against the Danish krone.

[illegible] eased in German money markets with call money falling to 5.75/5.85 per cent from 5.85/5.95 per cent on Friday. The repo rate, currently at [illegible] per cent, is expected [illegible] further [illegible] week. Sentiment about [illegible] prospects was slightly more positive in the futures market. The June [illegible] one basis point firmer at 94.56 from 94.55.

Elsewhere in Europe, the lira [illegible] on the back of [illegible] comments from Mr Umberto Bossi, leader of the Northern League, indicating his backing for a government [illegible] with Mr Silvio Berlusconi, the Forza Italia leader.

The escudo was firm at Es101.6 following comments from Mr Eduardo Catroga, the finance minister, that the exchange rate was correct. Although the government seems to have arrested the currency's recent weakness, Mr Cunningham said there remained concern about whether there [illegible] be any demand for the currency when the government started to lower interest rates to boost growth.

■ Sterling was quiet yesterday ahead of important trade and retail price data later in the week. The trade weighted index closed at [illegible] from its previous close of 80. The UK currency finished at DM2.517 against the D-Mark, down from DM2.5265. It was slightly [illegible] against the dollar, closing at [illegible] from $1.4745.

The interest rate futures [illegible] has continued its recovery from recent lows. The June short sterling contract closed yesterday at 94.56 (the same as the June euromark contract) from 94.51 on Friday.

The Bank of England yesterday offered £450m [illegible] the discount [illegible] forecasting a £550m shortage.

■ Yesterday saw the first sign of [illegible] pre-election jitters in South African financial markets. The financial rand (finrand) - the investment currency for foreigners - fell by [illegible] per [illegible] close in London at R5.6435 against the dollar, the lowest level in six years, from Friday's close of R5.025. The currency, regarded as a barometer of foreign [illegible] ment, touched a low during the day of R5.72.

Mr Tom Chenoweth, chief dealer at Standard [illegible] in London, said trading had been "horrific", with panic selling [illegible] the day. He said the market had been spooked by reports in the London Sunday press quoting senior ANC officials saying they would "wipe Inkatha out" when they came to power.

The financial rand market is small and highly volatile, [illegible] by [illegible] yesterday's [illegible] exceptional. The more widely [illegible] commercial rand also weakened, closing at [illegible] from Friday's [illegible] of R3.5565.

■ OTHER CURRENCIES

Apr 11	£	$
[illegible]	152.792 - 153.001	103.700 - [illegible]
Iran	[illegible]	1748.00 - 1760.00
Kuwait	[illegible] - 0.4397	0.2975 - [illegible]
Poland	33019.1 - 33041.5	22401.0 - 22401.0
Russia	2623.19 - 2637.92	1780.00 - 1790.00
U.A.E.	5.4004 - 5.4115	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

EMS EUROPEAN CURRENCY UNIT RATES

D-MARK FUTURES (IMM)

JAPANESE YEN FUTURES (IMM)

SWISS FRANC FUTURES (IMM)

STERLING FUTURES (IMM)

PHILADELPHIA SE £/$ OPTIONS

WORLD INTEREST RATES

MONEY RATES

THREE MONTH EUROMARK FUTURES (LIFFE)

THREE MONTH EUROLIRA INT RATE FUTURES (LIFFE)

THREE MONTH EURO SWISS FRANC FUTURES (LIFFE)

THREE MONTH ECU FUTURES (LIFFE)

US TREASURY BILL FUTURES (IMM)

EURO CURRENCY INTEREST RATES

THREE MONTH PIBOR FUTURES (MATIF)

THREE MONTH EURODOLLAR (LIFFE)

THREE MONTH EURODOLLAR (IMM)

EUROMARK OPTIONS (LIFFE)

EURO SWISS FRANC OPTIONS (LIFFE)

UK INTEREST RATES

LONDON MONEY RATES

THREE MONTH STERLING FUTURES (LIFFE)

SHORT STERLING OPTIONS (LIFFE)

Strike Price	Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
9450	0.16	0.22	0.21	0.12	[illegible]	[illegible]
9475	0.07	0.13	0.14	0.26	0.53	0.84
9500	0.02	0.07	0.07	0.46	0.72	1.02

Est. [illegible] total, Calls [illegible] 2290. [illegible] open int., Calls 148957 [illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	[illegible]	Duncan Lawrie	5.25	*Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	5.25	Exeter Bank Limited	6.25	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	●Smith & Williamson Secs	5.25
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25	Standard Chartered	5.25
Bank of Baroda	5.25	Girobank	5.25	TSB	5.25
Banco Bilbao Vizcaya	5.25	●Guinness Mahon	5.25	●United Bk of Kuwait	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25	Unity Trust Bank Plc	5.25
Bank of Ireland	5.25	●Hambros Bank	5.25	Western Trust	5.25
Bank of India	5.25	Heritable & Gen Inv Bk.	5.25	Whiteaway Laidlaw	5.25
Bank of Scotland	5.25	●Hill Samuel	5.25	Yorkshire Bank	5.25
Barclays Bank	5.25	C. Hoare & Co	5.25		
Brit Bk of Mid East	5.25	Hongkong & Shanghai.	5.25		
●Brown Shipley	5.25	Julian Hodge Bank	5.25		
CL Bank Nederland	5.25	●Leopold Joseph & Sons	5.25		
Citibank NA	5.25	Lloyds Bank	5.25		
Clydesdale Bank	5.25	Meghraj Bank Ltd	5.25		
The Co-operative Bank.	5.25	Midland Bank	5.25		
Coutts & Co	5.25	* Mount Banking	6		
Credit Lyonnais	5.25	NatWestminster	5.25		
Cyprus Popular Bank	5.25	●Rea Brothers	5.25		

■ Members [illegible] Banking & Securities Houses Association

* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

NOTES – Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Crd Frequency at which interest is credited to the account.

APPOINTMENTS

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Apr 11 / Sch)

BELGIUM/LUXEMBOURG (Apr 11 / Frs.)

DENMARK (Apr 11 / Kr)

FINLAND (Apr 11 / [illegible])

FRANCE (Apr 11 / Frs.)

GERMANY (Apr 11 / Dm.)

ITALY (Apr 11 / Lire)

NETHERLANDS (Apr 11 / Fls.)

NORWAY (Apr 11 / Kroner)

SPAIN (Apr 11 / Pta.)

SWEDEN (Apr 11 / Kronor)

SWITZERLAND (Apr 11 / Frs.)

PACIFIC

JAPAN (Apr 11 / Yen)

HONG KONG (Apr 11 / H.K.$)

MALAYSIA (Apr 11 / MYR)

SINGAPORE (Apr 11 / S$)

AUSTRALIA (Apr 11 / Aust.$)

NORTH AMERICA

CANADA

TORONTO (Apr 11 / Can $) 4 pm close

MONTREAL (Apr 11 / Can $) 4 pm close

AFRICA

SOUTH AFRICA (Apr 11 / Rand)

Prices supplied by Telekurs

FT FREE ANNUAL REPORTS SERVICE

TOKYO - MOST ACTIVE STOCKS: Monday, April 11, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Hitachi	[illegible]	969	+15	NEC	2.4m	1110	
Teijin	[illegible]	541	+9	Mitsui Toatsu	2.4m	408	+5
M'bushi Rayon	[illegible]	416	+8	Nippon Steel	2.3m	350	-3
Japan Energy	[illegible]	405	-20	Ricoh	2.3m	877	-5
Sumitomo Lt Metal	[illegible]	390	+27	Sekai Over	2.3m	576	+56

INDICES

US INDICES

DOW JONES

STANDARD AND POORS

NYSE Comp.

Amex Mkt Val

NASDAQ Cmp

RATIOS

Dow Jones Ind. Div. Yield

S & P Ind. Div. yield

S & P Ind. P/E ratio

STANDARD AND POORS 500 INDEX FUTURES $500 times index

Open interest figures are for previous day.

NEW YORK ACTIVE STOCKS

TRADING ACTIVITY

CAC-40 STOCK INDEX FUTURES (MATIF)

Open interest figures for previous day.

Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 25 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ✦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Apr 11 - 2224.85 +21.67

– Sat Apr 9 : Taiwan Weighted Price 5585.84; Korea Comp Ex 885.42.

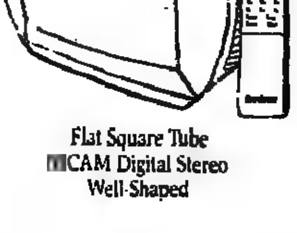
† Correction. * Calculated at 15.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close April 11

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
17⅜	14⅛	AAR	0.48	3.0	33	137	16	15⅝	16	+¼
16⅞	14	A L Labs	0.18	1.2	38	113	15⅝	15⅜	15½	-⅛
65½	58¼	AMP	1.68	2.8	21	2087	60⅛	59⅝	59⅞	
72¾	55½	AMR			27	9386	57⅞	55⅞	56¼	-1⅝
5	3⅞	ARX			16	623	4⅞	4⅝	4¾	+⅛
56⅛	41⅜	ASA	2.00	5.0	26	1426	41	d39¾	39⅞	-1¾
30⅝	25⅜	AbbtLb	0.76	2.8	15	11316	27⅛	26⅛	26¾	+1.14
13¾	11⅜	Abitibi Pr	0.50	3.9	8	15	12¾	12¾	12¾	+⅛
13¾	11⅛	Acptncein			21	30	11⅝	11½	11½	-⅛
31	24½	ACE Ltd	0.40	1.4	4	785	28½	27⅞	28¼	
12½	10⅞	ACM Gvt In	1.09	9.8		330	11⅛	11	11⅛	+⅛
10½	7⅞	ACM GvtOpp	0.80	9.4		29	8½	8⅜	8½	+⅛
10⅝	8⅞	ACM Gvt Sp	0.96	11.0		547	8¾	8⅝	8¾	+⅛
12	9¾	ACM Gvt Se	1.09	10.6		194	10⅜	10¼	10⅜	
11¾	8¾	ACM Man	1.08	11.1		116	9¾	9⅝	9¾	
9¼	8	ACM Managd	0.72	8.7		50	8¼	8¼	8¼	
10¾	8¾	AcmeClv	0.44	3.9	14	420	u11¾	11	11¾	+⅝
8½	7⅛	Acme Elect			34	112	8⅜	7⅞	8	-⅛
28¼	23	Acordia	0.60	2.2	13	6	27⅛	27	27	
9¼	5¾	Actava	0.36	5.6	2	25	6⅜	6¼	6⅜	
13⅞	11¼	Acuson			56	89	12¾	12⅝	12¾	
18⅞	16½	Adams Expr	0.36	2.1	0	158	17⅛	17	17⅛	
64	46½	Ad Micro	3.00	5.3		710	56⅝	55⅞	56¼	-¾
31¾	16¾	AdvMic	3.00	10.9	12	9739	28	27⅞	27⅝	-⅞
6⅞	5⅝	Advest Grp	0.16	2.7	9	1	6⅛	5⅞	6	
20	16¾	AOvo Inc x	0.10	0.6	118		18	17¾	17⅞	-⅛
57¼	49⅜	Aegon ADR	1.23	2.3	11		53	51⅝	52¾	+1⅛
65¾	50	AetnaL	2.76	5.2	9	3218	53⅛	52	53⅛	+1

[illegible]



Continued on next page

4 pm close April 11

NYSE COMPOSITE PRICES

Continued from previous page

[illegible]

- T -

[illegible]

- U -

[illegible]

- V -

[illegible]

- W -

[illegible]

- X - Y - Z -

[illegible]

Price data supplied by Telekurs

[illegible]

AMEX COMPOSITE PRICES

4 pm close April 11

[illegible]

NASDAQ NATIONAL MARKET

4 pm close April 11

[illegible]

- A -

[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- H -

[illegible]

- I -

[illegible]

- J -

[illegible]

- K -

[illegible]

- L -

[illegible]

- M -

[illegible]

- N -

[illegible]

- O -

[illegible]

- P - Q -

[illegible]

- R -

[illegible]

- S -

[illegible]

- T -

[illegible]

- U -

[illegible]

- V -

[illegible]

- W -

[illegible]

- X - Y - Z -

[illegible]

FINANCIAL TIMES
Tuesday April 12 1994

AMERICA

Dow climbs as end is seen to correction

Wall Street

[illegible] share prices [illegible] mostly higher yesterday morning as the stock market started a week packed with important economic statistics in an upbeat fashion, *writes [illegible] Harverson [illegible] New York.*

By 1 pm, the Dow Jones Industrial Average [illegible] up 19.33 at 441.06. The more broadly based Standard [illegible] Poor's 500 was also higher at the halfway mark, up [illegible] 449.45, while the Ameri[illegible] Stock Exchange composite [illegible] down 0.16 at 441.05 and the Nasdaq composite 0.15 easier at 748.56. Trading volume [illegible] the NYSE was [illegible] by 1 pm, and rises outpaced declines by 1,024 [illegible] 930.

Although share prices opened the [illegible] firmer, it [illegible] not until [illegible] in the morning that blue chip stocks began to post anything [illegible] than modest gains. Analysts said that [illegible] was no particular [illegible] that inspired the buying. They attributed [illegible] gains to a growing feeling [illegible] investors that the market's [illegible] correction – which [illegible] the Dow lose 10 per cent of its value over two months – [illegible] over.

Market sentiment was also seen as positive [illegible] of [illegible] week's crucial inflation data. The March producer prices index is due out today, [illegible] is expected to show only [illegible] slight increase in prices, while [illegible] equally modest rise is forecast for the March consumer prices index, which will [illegible] tomorrow. Investors [illegible] confident that the prices data will [illegible] the bond market that inflation is not getting out of hand, in spite of the recent sharp spurt in economic growth.

Although the market has been unnerved in recent weeks by political developments overseas, traders said the raids by US fighters on Serbian military positions in Bosnia-Hercegovina overnight and again yesterday morning had little impact on trading.

Among individual stocks, automobile manufacturers [illegible] all higher, buoyed by reports that analysts believe [illegible] rising [illegible] will not undermine the strong recovery in car sales. Chrysler climbed \$1⅛ to \$52¼ in volume of 2m shares, [illegible] added \$⅞ [illegible] \$59⅛, and General Motors firmed [illegible] to [illegible]

[illegible] were in [illegible] as Wall Street anticipated another strong quarterly reporting [illegible] from the [illegible]tor. BankAmerica rose \$1¼ [illegible] \$42, Chemical added [illegible] [illegible] Citicorp appreciated [illegible] to [illegible] put on [illegible] at \$51½.

On [illegible] Nasdaq market, leading technology [illegible] Intel softened \$⅛ to [illegible] Microsoft \$½ [illegible] and Apple [illegible] \$33⅛.

Canada

Toronto slipped [illegible] noon in dull conditions, along with [illegible] and bonds, [illegible] the market awaited further indications [illegible] the outlook for [illegible] US economy.

The [illegible] 300 composite [illegible] 4,316.61 [illegible] midday in volume of 21.38m shares.

Brazil

Brokers in [illegible] Paulo [illegible] [illegible] 5.4 per cent rise in share prices reflected [illegible] thin market, [illegible] buying [illegible] square portfolios ahead of the futures [illegible] and options [illegible] tomorrow and [illegible] Monday. The Bovespa [illegible] higher at 16,208 [illegible] local time.

SOUTH AFRICA

Currency factors dominated trading [illegible] financial rand weakened sharply. The overall index advanced 57 [illegible] 6,009 and industrials put on 24 [illegible] 5,756. The golds index [illegible] 2,010. [illegible] strengthened [illegible] to [illegible]

EUROPE

Paris worries over decline in turnover

[illegible], but the day was [illegible] exciting than it looked, [illegible] *Our [illegible] Staff.*

PARIS added 1.4 [illegible] with many investors looking ahead to Thursday's Bundesbank meeting, hoping that this might trigger a further round [illegible] Europe-wide rate cuts. [illegible] CAC-40 index put [illegible] 2,145.28.

However, professionals [illegible] worried by [illegible] of activity as turnover [illegible] a modest [illegible]. UBS said [illegible] daily turnover [illegible] in January and [illegible] in February, the figure [illegible] daily [illegible] of [illegible] month. The [illegible] bank [illegible] foreign [illegible] and a steady [illegible] rights issues, inflated [illegible] by Cap Gemini Sogeti [illegible] Cerus and with further [illegible] expected soon from Euro [illegible]

Peugeot [illegible] FFr21 [illegible] 2.4 [illegible] revised their estimates upwards. Kleinwort Benson, which recently [illegible] a buy note, [illegible] outperformance [illegible] with new [illegible] arising from restructuring [illegible]

FRANKFURT fed on the global switch to cyclicals, [illegible] leading the market up with a DM17 rise to DM878 as [illegible] Dax index [illegible] 21.99 to [illegible]

Turnover eased from DM10.2bn [illegible] Daimler [illegible] active stocks list in [illegible] after [illegible] said [illegible] profits would fall from [illegible] DM615m in [illegible]

Among [illegible] fashionable financials, however, Commerzbank fell DM1.50 to [illegible] it said that group net profits dropped in 1993. [illegible] its dividend, [illegible] announced a DM400m [illegible] increase.

[illegible] the cyclicals, [illegible] closed [illegible] session up DM10.30 at DM731.30, [illegible] ing from [illegible] underperformance. Thyssen jumped DM6.30 [illegible] Mannesmann by [illegible] on a large buy order.

MILAN extended [illegible] post election rally, the [illegible] or [illegible] 775.88.

[illegible] remained at [illegible] of attention, adding L420 or 6.7 per [illegible] to [illegible], for a cumu[illegible] per [illegible] rise [illegible] Yesterday, speculation [illegible] that the new [illegible] might introduce [illegible] sales, like [illegible] recently announced by [illegible] Spanish [illegible] French governments. But [illegible] Potter [illegible] International commented that while [illegible] was sound, it was [illegible] compelling given the [illegible] commitments awaiting [illegible] administration.

Pirelli surged L168 or [illegible] L3,159, off a day's high [illegible] L3,270, [illegible] reports that it was joining forces with Alcatel Alsthom to buy a joint stake in Stet which is slated for privatisation later this [illegible]

ZURICH saw profit-taking but [illegible] SMI [illegible] still finished [illegible] higher [illegible] 2,884.0.

[illegible] driven by heavy demand for UBS, SFr10 higher at SFr1,268, but elsewhere, the financial sector was [illegible] Zurich [illegible] fell [illegible] to [illegible] while [illegible] Re, supported by [illegible] buy [illegible] from [illegible] Suisse, [illegible] SFr630.

Nestlé, a target of renewed US institutional buying, [illegible] SFr1,234.

Investors [illegible] a mixed [illegible] to first quarter [illegible] figures from Roche. [illegible] a 12 [illegible] rise in local currency [illegible] was seen as satisfactory, there [illegible] disappointment that this translated into a rise of just [illegible] per cent in [illegible] francs. [illegible] certificates [illegible] up an early [illegible] unchanged [illegible] SFr7,150.

AMSTERDAM was motivated by impressive rises in the internationals as the AEX index rose another 7.[illegible], or 1.7 per [illegible] to 422.71. Royal Dutch recorded its [illegible] successive gain as more foreign investors [illegible] as buyers. The shares advanced Fl 3.60 to Fl 204.40.

Unilever, up Fl 5.40 to Fl 204.70, was another good performer as [illegible] company reit[illegible] commitment [illegible] brand products, an area which has come up against increasing pressure recently from unbranded products.

Ahold was one of the few stocks to go against the trend, losing [illegible] to Fl 48.60, after denying reports that [illegible] domestic supermarket chain had been losing market share in [illegible] first months of 1994.

WARSAW tumbled another 10.7 per [illegible] investors, shaken by [illegible] week's falls, continued [illegible] sell. The WIG [illegible] fell 1,436.7 [illegible] 11,959.7, down by 42.4 per [illegible] since its peak on March 8.

Written and [illegible] by William Cochrane, [illegible] Pitt and Michael [illegible]

FT-SE Actuaries Share Indices — THE EUROPEAN [illegible]

Apr 11 / Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	[illegible]
FT-SE Eurotrack 100	[illegible]	1478.07	[illegible]	1480.62	1479.04	[illegible]	[illegible]	[illegible]
FT-SE Eurotrack 200	1487.79	1490.78	1491.59	1492.22	1491.97	1491.29	1490.27	1489.72

	Apr 8	Apr 7	Apr 6	Apr 5	Mar 31
FT-SE Eurotrack 100	1461.06	1457.70	1448.03	1428.65	[illegible]
FT-SE Eurotrack 200	1477.91	1475.47	1468.41	1446.82	[illegible]

Base 1000 (26/10/90): Highday: 100 - 1480.91; 200 - 1494.45 Lowday: 100 - [illegible] 200 - 1487.78

Copenhagen Airport at discount

By Hilary Barnes [illegible] Copenhagen

The first trading day of shares in the Copenhagen Airport privisation offer was [illegible] disappointment to investors.

The [illegible] closed at DKr291 yesterday, compared with the DKr310 which [illegible] the striking price after the Danish government offered its [illegible] per cent [illegible] at an indicative [illegible] range of [illegible] DKr285 and DKr315 [illegible]

[illegible] broker commented that [illegible] international [illegible] behind the [illegible] have priced [illegible] tightly [illegible] Danish conditions.

The [illegible] of the airport issue was watched with special inter[illegible] of [illegible] upcoming [illegible] Danmark privatisation issue which [illegible] expected [illegible] pull in a massive \$3bn.

The Tele Danmark [illegible] currently on [illegible] The first trading [illegible] will be April [illegible] when the Copenhagen Stock Exchange will remain [illegible] late to enable trading [illegible] take place simultaneously in Copenhagen and [illegible] York.

ASIA PACIFIC

Nikkei slightly lower as political uncertainty deepens

Tokyo

Equities [illegible] ground slightly as uncertainty over [illegible] political situation deepened, [illegible] investors [illegible] inactive, *writes Emiko Terazono [illegible] Tokyo.*

The [illegible] between the [illegible] right wings within [illegible] ruling coali[illegible] participants had initially expected Mr Tsutomu Hata, current foreign minister, [illegible] succeed Mr Morihiro Hosokawa [illegible] prime minister. However, with the coalition on the edge of splitting, this [illegible] to have become increasingly difficult to engineer.

The index fell [illegible] low of 19,867.47 [illegible] after the market opened and [illegible] high of 19,999.30 later in the morning.

Both [illegible] and right wings of [illegible] are trying to woo [illegible] of the opposition Liberal Democratic party [illegible] join [illegible]. There is [illegible] possibility of [illegible] general election if an agreement [illegible]

There [illegible] chance of the [illegible] government offering a totally different approach [illegible] economic policy, [illegible] question [illegible] soon [illegible] year's budget, [illegible] now [illegible] by [illegible] over Mr Hosokawa's allegedly [illegible] loans and [illegible] dealings, [illegible] implemented.

Volume [illegible] sharply, to 225m shares from 525m. [illegible] Topix index of all [illegible] section stocks firmed 0.75 to 1,614.05 [illegible] Nikkei 300 [illegible] lost [illegible] 296.37. Advances outnumbered declines by 535 [illegible], with 162 issues unchanged. In [illegible] the ISE/Nikkei 50 index eased 2.47 to 1,319.00.

Textile [illegible] were higher on foreign buying. Teijin rose Y9 [illegible] Y541 [illegible] Mitsubishi Rayon [illegible] to Y416. [illegible] shares were [illegible] up Y5 at Y406.

Japan Energy, [illegible] mining development [illegible] petroleum refining company, dropped [illegible] Y405. [illegible] company holds [illegible] 41.5 per cent [illegible] in [illegible] Oil, a privately owned refiner [illegible] announced huge unrealised losses over [illegible] weekend [illegible] foreign exchange for[illegible] transactions.

[illegible] other shareholders of [illegible] were higher [illegible] bargain hunting, Cosmo Oil gaining Y11 at [illegible] and Mitsubishi Petrochemical Y20 [illegible] Y698.

Fuji Photo Film, sold last week on fears of a decline in [illegible] share, rebounded Y100 to Y2,140.

In Osaka, the [illegible] average [illegible] 105.95 firmer [illegible] 22,071.13 [illegible] 9.5m shares.

Roundup

[illegible] Japanese buying in several [illegible] Pacific [illegible] markets [illegible] attributed [illegible] launch [illegible] investment strategies [illegible] beginning of Tokyo's new financial year, rather [illegible] political [illegible] following [illegible] resignation [illegible] Mr Morihiro Hosokawa, [illegible] Japa[illegible] prime minister. Analysts noted [illegible] trading volume [illegible] very thin throughout [illegible] region. Bombay [illegible] a public holiday.

[illegible] KONG [illegible] a [illegible] round of buying, spurred by renewed demand from Japa[illegible] investors, which [illegible] the market 1.9 [illegible] cent higher in otherwise thin trade.

The Hang Seng [illegible] moved forward 178.55 [illegible] 9,476.77 in turnover that expanded to an indicated HK\$2.89bn, from HK\$2.51bn on Friday, but still well [illegible] of [illegible]

SINGAPORE advanced 2.9 [illegible] rise attri[illegible] US [illegible] buying and some orders from Japanese investors. The [illegible] Industrial index put on 61.71 [illegible] 2,191.95.

BANGKOK finished higher after a bout [illegible] bar[illegible] hunting ahead of [illegible] three-day [illegible] holiday from today. [illegible] SET [illegible] gained 11.26 [illegible] 1,235.26 in [illegible] turnover of the year at Bt2.1bn, compared [illegible] the previous [illegible] on April 5.

SEOUL advanced for the sixth [illegible] session in moderate trading [illegible] early gains weathered afternoon profit-taking. [illegible] composite index [illegible] 11.05 [illegible]

MANILA [illegible] marginally higher [illegible] buying of [illegible] Miguel, after [illegible] slow start which followed [illegible] overnight fall by PLDT in [illegible] York. The composite [illegible] firmed [illegible] 2,643.08 as San Miguel "B" [illegible] 4 pesos to 216 pesos.

TAIWAN reversed early gains and ended sharply lower on heavy profit-taking [illegible] bank[illegible] stocks after their sharp advance late last week. The weighted [illegible] 77.36, or 1.4 per cent, [illegible]

AUSTRALIA closed softer on one [illegible] the quietest trading days of [illegible] year, with investors cautious ahead of [illegible] economic [illegible] coming this week. The All Ordinaries index dipped 6.0 to 2,076.0.

Western Mining weakened 14 [illegible] as its [illegible] per cent-owned aluminium unit Alcoa reported [illegible] 5.6 per [illegible] in first-quarter profits.

KUALA LUMPUR [illegible] mostly easier in continued thin trading, but institutional buying of some core [illegible] left [illegible] composite index 11.39 higher [illegible] 973.34.

Calm reaction to Hosokawa resignation

By John Pitt

Japanese equities have reacted calmly so far [illegible] the resignation of the prime minister, Mr Morihiro Hosokawa, which has plunged the country [illegible] again into [illegible] period of political turbulence.

The market fell sharply on Friday [illegible] rumours began to circulate about the resignation, but [illegible] losses [illegible] more than recouped [illegible] in the day. Previous sessions, meanwhile, had [illegible] enough foreign money returning to leave Japan, in local currency terms, as one [illegible] the week's strongest performers in the FT-Actuaries World Indices.

Strategists [illegible] agreed that the [illegible] resignation, a [illegible] possibility for some time, is not a major threat [illegible] the investment climate. NatWest Markets, for instance, comments [illegible] while foreign investors might, in [illegible] short term, become a little more reserved, "unless the economy falters or suffers [illegible] relapse – possible, but not guaranteed – expectations [illegible] turnround in corporate earnings are likely [illegible] remain relatively positive".

Salomon Brothers [illegible] more upbeat, revising [illegible] year-end target for [illegible] Nikkei [illegible] index up [illegible] 20,000 to 24,000, [illegible] moving "significantly overweight". The reasons cited include: [illegible] apparent bottoming out of [illegible] economy; [illegible] that most stocks, excluding financials, are inexpensive in p/e [illegible] terms; [illegible] further indications of [illegible]nomic improvement which [illegible] to an asset allocation switch by [illegible] investors from bonds into equities.

Nordic markets, with the exception of Denmark, enjoyed a fruitful week, [illegible] the [illegible] performer both in [illegible] region and overall.

Unibors Securities com[illegible] investors [illegible] buying cyclicals [illegible] week, notably Volvo, Sandvik, [illegible], Modo, [illegible] Copco, Electrolux, [illegible] and Trelleborg in Swe[illegible] Kymmene and [illegible] in Finland. This week, Unibors [illegible] that [illegible] will [illegible] tinue [illegible] driven by bargain hunting "in oversold, inexpensive turnaround cyclicals".

Norway [illegible] a [illegible] story, it [illegible] with worries [illegible] a persistent oil oversupply and [illegible] impact on [illegible] undermining activity, and investors focusing on [illegible] the government might avoid [illegible] budget deficit.

[illegible] how much volatility remains following the recent [illegible] of presidential [illegible] Mr Luis [illegible] Colosio: during the week interest rates rose sharply and the [illegible] weakened [illegible] further.

MARKETS IN PERSPECTIVE

	% change in local currency † 1 Week	4 Weeks	1 Year	Start of 1994	% change sterling † Start of 1994	% change in US $ † Start of 1994
Austria	+1.14	-4.29	+32.21	-4.44	-2.90	-3.22
Belgium	+0.99	-2.43	+13.29	-1.90	+0.80	+0.46
Denmark	-1.91	-4.01	+33.34	+1.40	+3.08	+2.73
Finland	+3.16	-2.56	+89.74	+12.15	+18.10	+17.69
France	+1.50	-2.44	+11.22	-5.10	-4.21	-4.54
Germany	+3.06	+4.38	+29.15	-3.03	-1.39	-1.73
Ireland	+1.66	-3.08	+20.12	-2.37	-1.21	-1.54
Italy	+2.14	+13.73	+49.83	+22.92	+29.52	+29.07
Netherlands	+3.55	-0.25	+24.03	-1.90	-0.62	-0.95
Norway	+0.41	-2.45	+32.92	+4.51	+6.34	+5.98
Spain	+2.53	-2.94	+32.43	-1.72	+1.71	+1.36
Sweden	+5.94	-1.40	+38.72	+3.87	+10.02	+9.65
Switzerland	+2.62	+1.26	+33.01	-1.56	+1.58	+1.25
UK	+1.04	-2.38	+12.43	-7.51	-7.51	-7.82
EUROPE	+1.96	-0.16	+21.09	-3.14	-1.69	-2.02
Australia	+1.52	-3.37	+20.99	-4.29	+2.79	+2.45
Hong Kong	+2.53	-5.00	+52.76	-21.50	-21.23	-21.49
Japan	+3.12	-0.43	+2.94	+11.26	+18.43	+18.02
Malaysia	-1.12	-11.44	+56.65	-25.68	-25.18	-25.44
New Zealand	+2.84	-3.84	+33.90	-5.20	-2.70	-3.03
Singapore	+2.93	-3.22	+31.88	-16.81	-14.42	-14.71
Canada	+0.01	-2.26	+17.05	+0.23	-3.54	-3.87
USA	+0.32	-3.95	+1.01	-4.05	-3.73	-4.05
Mexico	-4.89	-8.23	+27.40	-11.64	-18.08	-18.36
South Africa	+0.04	-4.78	+41.45	+0.02	-14.33	-14.62
WORLD INDEX	+1.66	-2.04	+8.46	-0.55	+1.57	+1.23

† Based on April 8, 1994. Copyright, The Financial Times Limited, Goldman, Sachs & Co, and NatWest Securities Limited.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The [illegible] Ltd., [illegible] & Co. and [illegible] Ltd. in conjunction [illegible] of [illegible] Faculty of [illegible]

NATIONAL AND REGIONAL MARKETS Figures in [illegible] show number of [illegible] of stock	FRIDAY APRIL 8 [illegible] US Dollar Index	Day's Change %	[illegible] Sterling Index	[illegible] Index	DM Index	[illegible] Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY [illegible] US Dollar Index	Pound [illegible] Index	[illegible] Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (69)	170.95	1.7	171.89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	169.85	111.36	150.11	[illegible]	[illegible]	[illegible]	137.98
Austria (17)	179.02	0.9	180.00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium [illegible]	163.40	1.2	164.29	108.67	145.55	142.25	0.8	3.83	161.53	163.25	107.03	144.28	141.06	171.68	141.92	153.82
Canada (106)	130.54	0.2	131.25	86.81	116.28	130.49	-0.2	2.57	130.26	131.84	86.31	116.35	130.76	145.31	121.46	122.38
Denmark (32)	253.95	-0.6	255.34	168.88	[illegible]	[illegible]	[illegible]	1.03	[illegible]	258.15	[illegible]	228.15	233.52	[illegible]	206.94	[illegible]
Finland (22)	145.00	2.0	145.79	96.43	[illegible]	167.92	[illegible]	[illegible]	[illegible]	[illegible]	94.15	[illegible]	164.60	[illegible]	[illegible]	80.86
[illegible] (98)	167.98	0.1	168.90	111.71	[illegible]	[illegible]	-0.2	[illegible]	[illegible]	[illegible]	111.23	[illegible]	[illegible]	[illegible]	[illegible]	163.06
Germany (58)	137.82	0.8	138.58	[illegible]	122.77	122.77	[illegible]	1.70	[illegible]	[illegible]	90.77	[illegible]	[illegible]	[illegible]	[illegible]	113.77
Hong Kong (56)	384.14	0.0	388.25	[illegible]	[illegible]	[illegible]	0.0	2.78	[illegible]	[illegible]	[illegible]	[illegible]	380.95	506.56	251.27	251.32
Ireland (14)	182.36	0.7	183.36	[illegible]	[illegible]	[illegible]	-0.2	[illegible]	181.19	[illegible]	[illegible]	[illegible]	181.10	[illegible]	155.93	[illegible]
Italy [illegible]	88.53	1.6	89.02	[illegible]	[illegible]	[illegible]	1.1	1.61	87.11	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	57.88	61.28
Japan (469)	153.58	-0.2	154.43	102.14	[illegible]	102.14	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	101.96	165.91	124.54	[illegible]
Malaysia (98)	441.06	-0.1	443.50	[illegible]	[illegible]	[illegible]	-0.1	[illegible]	441.48	[illegible]	[illegible]	[illegible]	[illegible]	621.63	293.16	293.48
[illegible] (18)	1949.30	0.6	1959.96	[illegible]	[illegible]	[illegible]	0.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7118.03	[illegible]	1431.17	1680.37
Netherland (26)	197.21	1.3	198.29	131.15	[illegible]	173.14	1.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	171.33	[illegible]	163.30	169.31
New Zealand (14)	65.65	1.6	66.21	[illegible]	[illegible]	61.11	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	46.21	48.21
Norway (23)	190.38	0.8	191.43	126.61	[illegible]	[illegible]	0.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	206.42	150.61	155.18
Singapore (44)	313.46	0.6	315.18	[illegible]	[illegible]	[illegible]	[illegible]	1.72	311.45	[illegible]	208.37	278.19	225.33	[illegible]	228.08	229.47
South Africa (60)	228.10	0.4	229.35	151.70	[illegible]	[illegible]	2.1	2.45	227.11	[illegible]	150.49	202.85	[illegible]	280.26	161.89	177.50
Spain (42)	141.25	0.9	142.03	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	147.05	[illegible]	[illegible]	[illegible]
Sweden (36)	215.31	0.8	216.49	[illegible]	191.79	[illegible]	0.7	[illegible]	213.49	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	161.10	[illegible]
Switzerland (49)	162.14	1.0	163.02	[illegible]	144.43	[illegible]	0.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	144.47	176.56	[illegible]	[illegible]
[illegible] Kingdom (205)	189.01	0.2	190.04	[illegible]	[illegible]	[illegible]	-0.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	170.32	[illegible]
USA (520)	182.21	-0.9	183.21	[illegible]	[illegible]	182.21	-0.9	2.80	[illegible]	[illegible]	121.62	164.21	[illegible]	[illegible]	[illegible]	180.39
EUROPE (724)	166.15	0.6	167.06	[illegible]	[illegible]	[illegible]	0.2	2.91	[illegible]	[illegible]	[illegible]	[illegible]	159.56	[illegible]	[illegible]	[illegible]
Nordic (113)	206.13	0.7	207.26	[illegible]	[illegible]	[illegible]	[illegible]	1.35	[illegible]	[illegible]	[illegible]	[illegible]	209.80	220.60	[illegible]	152.85
Pacific Basin (750)	161.92	-0.1	162.81	107.68	[illegible]	111.98	0.1	[illegible]	162.03	[illegible]	107.37	144.73	111.82	168.80	[illegible]	141.46
Euro-Pacific (1474)	163.53	0.2	164.43	[illegible]	[illegible]	[illegible]	0.2	[illegible]	[illegible]	[illegible]	108.14	145.77	[illegible]	170.78	[illegible]	[illegible]
North America (626)	179.00	-0.8	178.98	118.04	159.45	[illegible]	-0.9	[illegible]	180.52	[illegible]	[illegible]	[illegible]	180.17	[illegible]	[illegible]	176.79
Europe Ex. UK (519)	150.03	0.8	150.86	[illegible]	[illegible]	[illegible]	0.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	155.73	[illegible]	125.03
Pacific Ex. Japan (281)	243.67	0.8	245.00	162.05	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	296.21	173.34	[illegible]
World Ex. US (1658)	164.29	0.2	165.18	[illegible]	[illegible]	133.75	0.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	172.51	142.88	[illegible]
World Ex. UK (1973)	167.34	-0.2	168.25	111.29	[illegible]	[illegible]	-0.2	[illegible]	[illegible]	169.51	111.14	[illegible]	145.27	175.58	152.41	152.88
World Ex. So. Af. (2118)	168.94	-0.2	169.87	112.36	[illegible]	[illegible]	-0.2	[illegible]	[illegible]	171.07	112.16	151.19	148.54	178.56	[illegible]	[illegible]
World Ex. Japan (1709)	179.57	-0.2	180.56	119.42	[illegible]	176.17	-0.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	195.20	164.92	164.92
The [illegible] (2178)	169.26	-0.2	170.18	112.56	[illegible]	[illegible]	-0.2	[illegible]	[illegible]	171.37	[illegible]	[illegible]	149.32	178.97	154.50	154.53

Latest prices were unavailable for this edition.

Japan moves closer to early election

By William Dawkins in Tokyo

Leaders of Japan's divided seven-party coalition plan to meet today in another attempt to resolve the deadlock over a successor to Mr Morihiro Hosokawa as prime minister.

The outlook for an accord is poor – the three right-wing parties, grouped around Mr Ichiro Ozawa, the government's backroom strategist, refused to attend a summit yesterday, proposed by the Social Democratic party, leader of the coalition's left wing.

The continued stalemate increases the likelihood of an early general election, under the existing multi-seat constituency system which has been blamed for engendering corruption, and deepens the rivalry between the coalition's left and right wings.

But the outcome is unclear. Some SDP members of parliament favour an election on the grounds that the party might recover some seats lost in last summer's poll, so improving its clout in negotiating the new electoral boundaries required under the recently agreed electoral reform laws.

Mr Ozawa's supporters gave procedural reasons for not attending yesterday's summit. Political observers believe the coalition's right wing wants more time to woo potential defectors from the opposition Liberal Democratic party.

Instead, officials from the seven parties staged just a 40-minute exchange yesterday, in which they agreed to keep talking in an attempt to choose a new leader by the mid-week deadline they set themselves on Saturday. Leaders of the left- and right-wing groups held their own separate planning sessions.

At least one coalition member, the New Harbinger party, appeared to be positioning itself for an election, by issuing a manifesto. The NHP called for continued economic reform and said Japan should not try to become a leading political or military power. This contradicts the policy of Mr Ozawa's Japan Renewal party, of seeking a more internationally active Japan.

Separately, an independent panel began work yesterday on redrawing Japan's electoral map, due for completion in six months.

This is the first stage in the transition from Japan's multi-seat constituency system for electing the lower house of parliament – said to be a factor in fostering money politics – to a mix of single seats and proportional representation.

Editorial comment, Page 17

Japanese factions target LDP

Coalition parties are wooing the opposition, writes William Dawkins

Japan's political upheavals over the past few days have seen the emergence of two broad groups, on the right and left wings of the seven-party ruling coalition.

Both sides are wooing potential defectors from the opposition Liberal Democratic party, in an attempt to create the core of a future coalition government.

If they succeed in dislodging one or two LDP factions, this will be another, possibly terminal blow, to the LDP's chance of returning to power after being ousted last summer for the first time in 38 years.

The lower house has 511 seats, so any new alliance will need to muster 256 for a clear majority. The main players have lined up roughly as follows (with the number of party seats in the lower house in brackets).

On the right is the Ozawa-Hosokawa group.

The Japan Renewal party, (52 seats), is led by Mr Tsutomu Hata, the foreign minister and a reluctant front-runner for the prime ministership, plus Mr Ichiro Ozawa, who dominated policy in the coalition government.

The JRP is close to the Buddhist backed Komeito (60) or clean government party, and to the Japan New party (40), led by Mr Hosokawa. The JNP, most of whose members of parliament are first timers, has invited Komeito and the JRP to join a new group, called Reform.

The JRP can also count on the support of five former LDP members, led by Mr Mutsuki Kato, who left the party last year.

On the left is the Murayama-Takemura group:

The Social Democratic party (74) is the biggest coalition member, but weakened by a split between 20 far-left members and 54 moderates loyal to Mr Tomiichi Murayama, the party leader. The SDP has found a close ally over the past few days in Mr Masayoshi Takemura's New Harbinger party (15).

The NHP was planning to merge with Mr Hosokawa's JNP, but Mr Takemura fell out with Mr Hosokawa, once a close friend, over the prime minister's growing closeness with Mr Ozawa.

Mr Takemura and Mr Ozawa have deep personal and policy differences. Also in this camp is the Democratic Socialist party (19), a group of conservative-minded former SDP members, which now also includes four members of the former United Social Democratic party.

The above line-up could change, depending on possible defections from the LDP (219), still the largest party in the lower house, which has so far refrained from putting forward a rival prime ministerial candidate.

One main potential defector is the Watanabe faction (45), led by Mr Michio Watanabe, a former foreign minister who has said he might join the Ozawa-Hosokawa group if a "comfortable" number of supporters follow.

He would also be in the running for the post of prime minister.

Also in the market for a partner is Mr Toshiki Kaifu, a reform-minded former prime minister.

He has no formal faction, but has around 50 LDP supporters, and is being wooed by Mr Murayama of the SDP.

The Miyazawa faction (54), led by Mr Kiichi Miyazawa, a reform-minded former prime minister, is also said to be working loose.

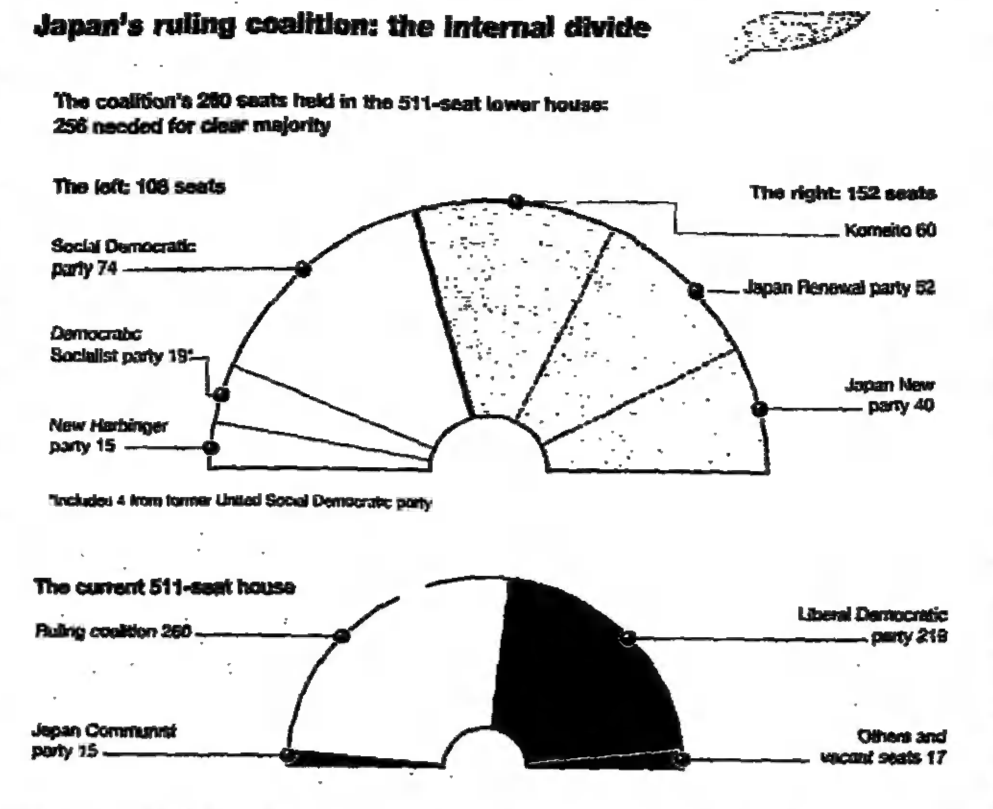
Mr Miyazawa is unlikely to work with Mr Hata and Mr Ozawa, who between them destroyed his government last year by staging a rebellion, so could be a candidate for the Socialist-led group.

Finally, there is the isolated Japan Communist party (15), which is not in the coalition.

However, it could be joined by the 20 SDP hardliners, if they leave in protest at an SDP alliance with a former LDP faction.

Independents and vacant seats (12) are excluded.

Japan's ruling coalition: the internal divide



Warning as China executes fraudster

China, stepping up its drive against corruption by officials, yesterday executed the businessman who masterminded one of the country's largest frauds, Reuter reports from Beijing.

Shen Taifu, the 39-year-old founder of the Changcheng machinery and electronics company, was executed by order of the Supreme People's Court after his appeal against conviction was rejected, the official Xinhua news agency said.

The court also upheld a guilty verdict against Li Xiaoshi, a former vice-minister, who was sentenced to 20 years in prison for bribery in connection with the case, Xinhua said.

Liu Jiachen, vice-president of the Supreme People's Court, urged all officials, "especially those with power", to learn proper lessons from the Changcheng scandal.

Shen's execution, and the government's lengthy case against him, were prominent items on the national radio and television news yesterday, reflecting Beijing's hopes that its tough line will bolster its anti-corruption image.

The Changcheng scandal broke last year after officials revealed the company was really a pyramid-style scam which sucked up Yuan 1bn ($114m) from unsuspecting small investors through temptations such as offers of 24 per cent interest.

After a period of tension, during which thousands of Changcheng investors feared for their savings, Beijing announced that most had recouped most of their money. It denied using state funds to bail them out.

Li Xiaoshi's involvement in the case had been rumoured from the beginning. Changcheng was launched amid praise from a number of well-known political personalities.

Li was found guilty of accepting Yn52,000 in bribes and pocketing Yn20,000 in public money while in office.

The former vice-minister's 20-year term marks a departure from China's traditional way of dealing with errant members of the Communist party elite, who usually get retired or transferred.

But anger at government corruption during economic reforms is rising. Li has become one of the highest-level officials ever publicly brought down on corruption charges.

Shen had no such status to protect him and a death sentence was widely expected as soon as he was taken into custody.

Shen's wife and accomplice, Sun Jinhong, formerly head of accounting at Changcheng, was given 15 years.

Failure of Natal peace talks sends currency to record low

Rand hit by poll uncertainty

By Mark Suzman in Johannesburg

The South African rand plunged yesterday after the failure of last Friday's peace summit between the government, the African National Congress and Zulu leaders over the strife in Natal province which threatens to disrupt the country's first all-race elections, a fortnight away.

The volatile financial rand, a currency used in non-resident investment or disinvestment and designed to protect the country's foreign reserves, crashed to a record low of R5.6435 to the dollar in London, down 61.85 cents on the day. Dealers reported heavy selling all day from both Europe and America. "It was one-way traffic," said Mr Willie Potgieter, assistant general manager for foreign exchange at Standard Bank in Johannesburg. "Once the fall started, panic selling set in."

Because the financial rand is thinly traded, relatively small movements can cause large swings in its value. It is regarded as the best barometer of international business sentiment about South Africa.

Given the uncertain political climate, most analysts believe that the currency will remain highly volatile until after the election. "I can't see the situation stabilising for a while," said Mr Ray Davies, director of Smith New Court Securities.

The commercial rand, the country's trading currency, also hit a new low, closing 3.6 cents down at R3.5925 to the dollar after falling for most of last week. Figures released over the weekend by the South African Reserve Bank show that this has been caused in part by heavy capital flight from the country, which resumed in March after having slowed significantly over the first two months of the year. According to the bank, the country's foreign reserves declined by R867m to R7.9bn.

Mr Nick Barnard, economist at stockbroker Ed Hern Rudolph, said there was no sign that the reserve bank was intervening in the markets to protect the rand. "There is unlikely to be significant reserve bank involvement until after the election, when the political situation becomes clearer," he noted. Although share prices on the Johannesburg Stock Exchange were stronger yesterday, the currency's collapse followed a bearish trend in international investor sentiment in South African bond and equity markets.

'Comrade Joe' is no Stalin

Michael Holman on campaign trail with S African communist Slovo

SOUTH AFRICAN ELECTIONS April 26-28

Black South Africans literally sing his praises. Many of their white compatriots would like to kill him. In Cape Town's Guguletu black township he is a hero.

Former guerrilla chief, avowed communist and, according to opinion polls, the second most popular man in South Africa, Mr Joe Slovo is on the campaign trail in the country's first all-race election.

The reception for "Comrade Joe" at the Guguletu rally is rapturous. The crowd's tangible warmth takes a tired man into the crowd's embrace and visibly revives him.

A roar of approval greets the entry of Mr Slovo, South African Communist party chairman, into the township's dusty stadium, the last appointment on a 36-hour whistle-stop tour of Cape Town and its coloured and black suburbs.

He mounts the platform, soaking in the acclaim, clenched fist aloft.

"Amandla! [power]. De Klerk must go! De Klerk must go! De Klerk must go!".

En route to Guguletu Mr Slovo, who is on the extreme right's hit-list, is squeezed between two security guards, a raincoat-draped rifle placed upright between the occupants. Two-way radios crackle as the fleet of cars careen through townships that could house hit-men, body guards sprint ahead as car doors open, and the tension that underlies Mr Slovo's life every day is brought home.

He gives no outward sign of strain. Tousled silver hair, face turning slightly pink, Mr Slovo perspires under the autumn sun. He has a sharp tongue and the debating skills of the barrister he once was.

Indeed, there is a touch of the Rumpole about him, that fictional barrister, shrewd in court, wise in the ways of the world, and on the side of the underdog almost since he arrived in South Africa in 1936, a 10-year-old Yiddish-speaking Lithuanian Jew called Yossel Mashel Slovo.

Slovo: on white right's hit-list, in the townships a hero Glyn Genin

But the genial, avuncular figure on the platform is also, it seems fair to assume, ruthless if necessary. He helped form and lead Umkhonto we Sizwe (Spear of the Nation), the ANC's armed wing, to serve a cause and a party to which he has dedicated his life. That cause has claimed the lives of his wife and the man whose memory he celebrated at the weekend – his comrade-in-arms, Mr Chris Hani.

A year ago Mr Hani, the head of Umkhonto we Sizwe and Communist party leader, was gunned down in a quiet middle class Johannesburg suburb while walking home with the morning newspaper.

At the open air memorial service under a blue Cape sky and overlooked by Table Mountain, Mr Slovo salutes Mr Hani's memory, and turns the event into a party rally.

In the life-and-death battle against apartheid, the graveyards of the 15,000 who have died of political violence since 1984 have become the platforms of the politicians, and the obsequies and ideology intermix.

His excoriation of President F W de Klerk and Zulu leader Chief Mangosuthu Buthelezi are rapturously received, but the ANC, near certain overall victor in the poll this month, is in trouble in the western Cape.

The region is home to most of the country's "coloured" (mixed race) community. With the 658,000 white voters divided between Mr de Klerk's National party and the liberal Democratic party, and the 427,000 black voters (almost certainly an under-estimate) overwhelmingly ANC, the 1.3m coloured electors will determine the outcome in the region.

With the coloureds disowned by the race that shared in their creation, disenfranchised in the 1950s, and evicted in the 1960s from their historical home known as District Six in the heart of Cape Town, Mr Nelson Mandela might seem their natural choice.

But the ANC made a tactical error in appointing as ANC regional leader Mr Alan Boesak. Although coloured and with a brave record of opposition to apartheid, his troubled private life and radical reputation bother an essentially conservative community, also fearful of ANC dominance of the new government.

Not least of their concerns is Mr Slovo himself, sent as much to set these fears at rest as rally the ANC vote. In private house meetings and in city halls he canvasses support of white professionals and coloured community leaders, helped by Mr Franklin Sonn, a respected coloured academic drafted late into the campaign.

The night before the Guguletu rally, Mr Slovo tried to lay to rest the communist bogy before an audience in Cape Town university's medical school of doctors and medical workers, mostly white.

The influence of the SACP is reflected in the candidates. Of the top 200 names on the ANC list for the 400-member National Assembly, Mr Slovo is fourth, after Mr Mandela, Mr Cyril Ramaphosa, the ANC secretary general, and Mr Thabo Mbeki, the "shadow" foreign minister. Another 33 people on the list are acknowledged SACP members; a further five are former members.

But, says Mr Slovo, what you see and hear is what you get: "No hidden agenda", he tells the audience, pointedly comparing the open stance of the SACP to the secretive Broederbond, the élite group of Afrikaners that in its heyday ran the National party and South Africa.

He concedes there has been a "murky side" to the SACP past, "locked into horrific Stalinist distortions".

The response, whether at the University of Cape Town, at a meeting of the Jewish community the next day, or in the coloured homes, is difficult to gauge – polite, but sceptical for the most part.

Guguletu is the highlight of the day: the crowd is black and ANC to the core. But preaching to the converted in front of the television cameras may not win floating voters.

Once a heavily fortified outpost of apartheid, in Guguletu posters urging citizens to know their rights adorn the walls. On the dashboard of a taxi a National party sticker, with a beaming President de Klerk, reveals the coloured driver's preference.

Despite Mr Slovo's best efforts, he says, the National party, not the ANC, will run the province after the election.

Hawke attacks media head

By Emilia Tagaza in Melbourne

Mr Conrad Black, the Canadian media owner, has been accused by Mr Bob Hawke, former Australian prime minister, of not telling the truth about his claim that the government had encouraged him to lift his stake in the Fairfax publishing group to 35 per cent.

Mr Hawke, testifying before a Senate inquiry into foreign ownership of Australian newspapers, said: "The simple fact is that Conrad Black does not tell the truth."

The inquiry, which started in December, is investigating Mr Black's claim that Mr Paul Keating, Mr Hawke's successor, had told him he would be allowed to buy a 35 per cent share in Fairfax in exchange for "balanced coverage" by the group's publications during the election in March last year. It aims to establish whether Mr Keating had sought to influence the decision of the Foreign Investment Review Board.

Kuwait boosts defence budget

The Emir of Kuwait has signed into law a KD3.5bn ($11.7bn) supplementary defence budget for weapons procurement and military training, Reuter reports from Kuwait.

The announcement signals the end of an eight-month informal freeze on a 1992-2004 rearmament programme aimed at restoring the defences of the emirate occupied by Iraq in 1990-91.

Diplomats say Kuwait is considering the possible purchase in coming years of 16 attack helicopters, eight fast patrol boats, six missile attack boats, 24 self-propelled howitzers, a multi-rocket-launch system and some general purpose helicopters.

The law, passed by parliament on March 22, also consolidates the hitherto secret supplementary allocations into the main defence budget – a move that gives the national assembly authority for the first time to examine and debate them.

The consolidation is to take effect from the 1994-95 fiscal year. Kuwait's fiscal year starts on July 1. Large weapons purchases for the Gulf oil state's 13,000-strong military force have hitherto been off-budget.

Legislative oversight was a main demand of opposition MPs campaigning for increased fiscal accountability and open government. They had attacked the procurement process as extravagant, secretive and corrupt. Diplomats say it is doubtful the assembly will be able to block spending outright. But MPs say they will be able to demand detailed plans on questionable purchases.

The supplementary budget for KD3.5bn between fiscal years 1992-93 and 2004-05 requires the government to submit to parliament each year broad plans stating how much of the total it plans to use.

Parliament, reviewing all decree laws issued following its 1986 dissolution, last year asked its financial committee to review a 1992 decree law that set aside the KD3.5bn for weapons purchases between 1992-2004.

INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1985=100.

UNITED STATES

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	279.8	−174.2	−182.5	0.7623	100.0
1986	230.9	−140.6	−152.7	0.9836	80.2
1987	220.2	−131.8	−145.0	1.1541	70.3
1988	272.5	−100.2	−107.6	1.1833	66.0
1989	330.2	−99.3	−92.2	1.1017	69.4
1990	309.0	−79.3	−72.1	1.2745	65.1
1991	340.5	−53.5	−6.7	1.2391	64.5
1992	345.8	−64.1	−51.2	1.2957	62.9
1993	397.2	−98.8	−93.3	1.1705	65.6
1st qtr.1993	95.1	−21.8	−18.8	1.1920	66.4
2nd qtr.1993	95.5	−25.4	−22.6	1.2088	64.3
3rd qtr.1993	99.7	−27.2	−24.5	1.1443	65.4
4th qtr.1993	107.6	−24.5	−27.7	1.1388	66.4
March 1993	33.0	−8.9	n.a.	1.1789	66.2
April	31.5	−8.3	n.a.	1.2214	64.3
May	32.0	−8.9	n.a.	1.2181	63.9
June	31.8	−10.2	n.a.	1.1833	64.5
July	32.7	−9.2	n.a.	1.1349	65.9
August	33.8	−8.9	n.a.	1.1251	65.7
September	33.2	−9.1	n.a.	1.1728	64.7
October	34.8	−9.4	n.a.	1.1597	65.5
November	35.7	−8.6	n.a.	1.1282	66.6
December	37.4	−8.5	n.a.	1.1287	67.0
January 1994	35.5	−8.6	n.a.	1.1139	67.5
February			n.a.	1.1184	66.7

JAPAN

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	230.8	76.0	64.5	180.50	100.0
1986	211.1	96.2	88.9	165.11	124.4
1987	197.3	86.1	75.5	166.58	133.2
1988	219.8	80.7	66.6	151.51	147.3
1989	245.3	70.5	52.4	151.87	141.8
1990	220.0	50.1	28.3	183.94	126.0
1991	247.4	83.1	62.9	166.44	137.0
1992	254.8	101.8	89.8	164.05	142.9
1993	300.4	120.3	110.3	130.31	173.8
1st qtr.1993	72.8	29.8	30.2	144.38	158.5
2nd qtr.1993	73.4	29.0	26.1	132.76	172.4
3rd qtr.1993	78.7	31.8	27.8	120.80	183.7
4th qtr.1993	75.0	29.9	26.3	123.20	180.2
March 1993	25.5	10.4	13.6	138.61	164.4
April	24.8	10.0	9.7	137.17	167.8
May	23.4	10.1	8.9	134.15	171.0
June	25.3	8.8	7.5	126.97	176.2
July	26.6	11.4	9.7	122.24	181.1
August	26.4	9.8	8.6	116.79	188.2
September	28.4	10.6	9.4	123.63	181.8
October	24.7	9.7	9.0	124.03	180.4
November	24.5	9.5	8.1	121.66	181.8
December	25.7	10.5	9.1	123.92	179.5
January 1994	27.0	11.4	10.1	124.03	177.0
February	26.8	11.3	8.8	118.77	185.2

GERMANY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	242.8	33.2	21.7	2.2260	100.0
1986	248.6	53.3	40.3	2.1279	108.8
1987	254.3	56.6	39.8	2.0710	115.3
1988	272.6	61.5	42.9	2.0739	114.6
1989	310.2	65.3	52.3	2.0681	113.5
1990	323.9	51.5	37.2	2.0537	119.1
1991	327.4	11.2	−18.2	2.0480	117.7
1992	330.6	16.8	−19.5	2.0187	121.2
1993	310.0	30.0	−18.7	1.9337	124.6
1st qtr.1993	76.9	4.5	−4.0	1.9476	125.6
2nd qtr.1993	75.1	7.6	−2.9	1.9530	124.0
3rd qtr.1993	78.8	6.1	−9.3	1.9180	123.9
4th qtr.1993	81.5	11.8	−2.8	1.9161	124.8
March 1993	24.0	1.7	0.6	1.9399	125.7
April	25.5	2.0	−2.4	1.9483	125.5
May	24.6	2.9	−1.1	1.9548	124.1
June	25.1	2.8	0.6	1.9559	122.6
July	24.1	3.2	−4.1	1.9463	122.0
August	26.5	2.1	−3.3	1.9061	123.6
September	25.9	1.9	−1.9	1.8896	128.1
October	27.4	4.2	−2.3	1.8695	126.2
November	27.4	3.7	0.2	1.9182	124.5
December	26.7	3.8	−0.4	1.9306	123.7
January 1994			−2.9	1.9415	122.2
February				1.9397	121.6

FRANCE

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	133.4	−3.6	−0.2	6.7842	100.0
1986	127.1	0.0	3.0	6.7946	102.8
1987	128.3	−4.6	−3.7	6.9265	103.0
1988	141.9	−3.9	−3.4	7.0354	100.8
1989	162.9	−6.3	−3.6	7.0169	99.8
1990	170.1	−7.2	−7.2	6.9202	104.8
1991	175.4	−4.2	−4.9	6.9643	102.7
1992	182.5	4.6	2.9	6.8420	106.0
1993	177.6	12.9	8.9	6.6261	108.3
1st qtr 1993	43.0	2.2	0.4	6.6067	110.0
2nd qtr 1993	44.3	3.2	1.4	6.6118	109.7
3rd qtr 1993	44.7	3.4	3.5	6.6506	106.4
4th qtr 1993	45.5	4.2	3.5	6.6431	107.3
March 1993	14.5	0.97	−0.31	6.5919	109.8
April	14.6	0.95	−0.21	6.5876	110.5
May	15.2	1.56	2.06	6.6636	109.8
June	14.8	0.61	−0.42	6.5842	108.9
July	15.2	1.66	1.27	6.8299	107.0
August	14.4	0.39	1.27	6.6761	105.3
September	15.1	1.29	1.00	6.6465	107.0
October	14.7	1.02	1.17	6.6631	106.9
November	15.0	1.20	0.02	6.6837	106.8
December	15.7	2.00	2.38	6.6025	108.2
January 1994	14.7	0.41		6.5956	107.9
February				6.6905	107.6

ITALY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	103.7	−16.0	−6.4	1443.0	100.0
1986	99.4	−2.5	−1.4	1461.6	101.4
1987	100.7	−7.5	−2.1	1494.3	101.2
1988	108.3	−8.9	−8.0	1536.8	97.8
1989	127.8	−11.3	−17.0	1509.2	98.6
1990	133.6	−9.3	−18.0	1523.2	100.6
1991	137.0	−10.5	−17.7	1531.3	99.8
1992	137.9	−8.0	−20.8	1591.5	95.7
1993				1836.7	79.6
1st qtr 1993	32.4	0.8	−2.6	1838.8	80.5
2nd qtr 1993	35.6	3.9	1.7	1814.2	81.2
3rd qtr 1993	34.2	6.1	3.2	1813.0	79.8
4th qtr 1993				1879.8	77.0
March 1993	11.7	−0.1	−0.8	1876.4	78.5
April	11.8	1.1	0.1	1871.4	79.0
May	12.4	1.2	0.8	1793.2	82.2
June	12.5	1.6	0.8	1778.0	82.6
July	14.7	4.4	2.8	1796.8	80.8
August	7.6	0.8	0.3	1804.2	78.7
September	12.0	0.9	0.1	1839.0	78.9
October	13.2	2.3	2.0	1854.6	78.2
November	12.4	1.7	−0.5	1880.7	77.0
December				1903.8	76.1
January 1994				1892.5	76.2
February				1883.9	76.4

UNITED KINGDOM

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	132.4	−5.7	3.8	0.5890	100.0
1986	108.3	−14.2	−1.3	0.6708	91.6
1987	112.3	−18.4	−7.1	0.7047	90.1
1988	120.9	−32.3	−25.0	0.6643	95.5
1989	137.0	−36.7	−33.5	0.6728	92.8
1990	142.3	−26.3	−25.6	0.7150	91.3
1991	147.7	−14.7	−10.9	0.7002	91.7
1992	145.5	−18.2	−13.5	0.7359	88.4
1993	156.4	−17.3	−13.7	0.7780	80.2
1st qtr 1993	37.5	−4.2	−3.9	0.8017	78.5
2nd qtr 1993	37.9	−4.1	−4.1	0.7882	80.2
3rd qtr 1993	40.5	−4.0	−2.3	0.7805	81.0
4th qtr 1993	39.6	−5.0	−3.4	0.7835	81.1
March 1993	12.6	−1.3	n.a.	0.8061	78.2
April	12.4	−1.6	n.a.	0.7894	80.5
May	12.5	−1.4	n.a.	0.7855	80.5
June	13.0	−1.2	n.a.	0.7837	79.6
July	13.3	−1.6	n.a.	0.7585	81.3
August	14.0	−0.6	n.a.	0.7545	81.0
September	13.3	−1.8	n.a.	0.7685	80.5
October	13.5	−1.2	n.a.	0.7712	80.4
November	12.9	−1.7	n.a.	0.7620	81.0
December	13.1	−2.1	n.a.	0.7573	81.7
January 1994			n.a.	0.7458	82.4
February			n.a.	0.7557	81.0

Due to the introduction of the single market, EU countries are currently changing to a new system of compiling trade statistics. All trade figures are seasonally adjusted, except for the Italian series and the German current account. Imports can be derived by subtracting the visible trade balance from exports. Export and import data are calculated on the FOB (free on board) basis, except for German and Italian imports which use the CIF method (including carriage, insurance and freight charges). German data up to and including June 1990, shown in italics, refer to the former West Germany. The nominal effective exchange rates are period averages of Bank of England trade-weighted indices. Data supplied by Datastream and WEFA from national government and central bank sources.

Major tries to calm Tory jitters amid campaign row

By Kevin Brown, Political Correspondent

Mr John Major was embroiled in a damaging row over Conservative election advertising yesterday amid signs of continuing unease among backbench MPs and growing nervousness among the party's high command.

On a morale-boosting visit to Birmingham, Britain's second city, the prime minister's attempt to boost the local Conservative campaign was undermined by widespread unease about the aggressive tone of a Conservative broadcast attacking the city's Labour council.

In an attempt to limit the electoral damage in Birmingham – the only major city where the Conservatives have a realistic hope of overturning Labour control – Mr Major delivered an upbeat economic message, claiming that the economy was growing "rapidly" at a time of increasing economic difficulties for Britain's industrial competitors.

Meanwhile, party officials were backing away from a weekend admission by Sir Norman Fowler, party chairman, that the prime minister's future could depend on the results of the May 5 local elections.

Mr Gerry Malone, deputy chairman of the party, told journalists: "This is not a referendum on John Major in any possible sense."

However, Conservative MPs returning to London for the summer parliamentary session, which begins today, told a different story. "There is a lot of unhappiness in the constituencies with the prime minister's leadership," a backbench supporter of Mr Major said glumly.

There were also indications that the government may seek to avoid holding the by-election in the vacant Conservative-held seat of Eastleigh, Hampshire, before the June 9 elections to the European parliament.

Mr Major and senior cabinet ministers will decide today whether to stick to earlier plans to hold the by-election on the same day as the local council elections.

Both the main parties fear that a Liberal Democrat by-election victory before June 9 would give the party a strong platform for the European elections.

The main opposition Labour party, launching its European election campaign in London yesterday, attacked the "Tory myth of a blunderbuss bureaucracy in Brussels".

Ms Pauline Green, leader of Britain's Labour MEPs, accused the Conservatives of "distortions and lies", denying claims that Labour wanted to abolish Britain's national veto in Europe, introduce a maximum 35-hour working week, and introduce a single European currency immediately.

She also rejected claims that the government was leading the initiative against fraud in the EU, accelerating EU enlargement and fighting for "a decentralised Europe of nation states".

A Mori poll published in The Times today suggests that Labour could win 66 of the 84 seats in Great Britain (excluding Northern Ireland), compared with 15 for the Conservatives and three for the Liberal Democrats.

However, a breakdown of regional voting intentions suggests that the Conservatives could be reduced to eight seats from 32, while the Liberal Democrats, who have no seats in the current parliament, would win 10. Labour, which holds 45 seats, would still win 66.

Conservatives face up to stern election test

Philip Stephens looks at the importance to John Major's government of the next eight weeks of intense local and national campaigning

For Mr John Major it may well be life or death.

The next eight weeks, starting with the run-up to local council elections on May 5 and culminating in the European elections on June 9, will provide the most comprehensive test of the national mood since the British prime minister's 1992 general election victory. Five parliamentary by-elections – the most important in Conservative-held Eastleigh – will complete the picture.

There is little doubt that the Conservatives will do badly. The voters have not forgiven Mr Major for the economic recession that he had promised would end the day after he returned to Downing Street in April 1992.

The electorate has watched the Conservative party tear itself apart over Europe. It has looked on despairingly as a lacklustre administration has failed to establish for itself a sense of strategic direction.

So the issue is not whether the prime minister will emerge the loser from the local, European and by-elections. Instead his future will depend on whether the results are merely tolerably bad or fatally catastrophic.

There are important tests also for Mr John Smith's Labour party and for Mr Paddy Ashdown's Liberal Democrats.

Mr Smith has profited greatly from the Tory disarray. But there are many even in his own party who have yet to be convinced that he has crafted a credible programme for an alternative government.

The voters who now profess support for Labour show little real enthusiasm for the party's agenda. Many a protest vote against the Conservatives this summer will not prevent them returning to the Tory fold at the next general election.

For his part, Mr Ashdown cannot claim that the rise in support for the Liberal Democrats since 1992 represents much more than the traditional mid-term influx of disaffected Tories.

The Liberal Democrats remain a local (and in some areas a regional) rather than a national party. They will do well in the forthcoming elections but rebuilding the belief that British politics has room for a powerful third force will require much more than simply good results.

In the short term the opposition parties' tactics are straightforward: to maximise mid-term discontent with higher taxes, rising crime rates, poor public services and irresolute leadership.

The opinion polls are on their side. While the Labour party is anywhere between 20 and 25 points ahead of the Conservatives, Mr Major's personal standing is lower than that of any modern political leader. On nearly every issue – from the economy to law and order and the health and education services – his government is judged incompetent.

In short, Mr Major is in a worse position than that faced by his predecessor Lady Thatcher in the months before her demise in November 1990. About 90 Tory backbenchers would lose their seats at a general election as a result of a modest 5 per cent swing against the Conservatives.

Compare that to the swing of 35 per cent at last autumn's Christchurch by-election. It should be no surprise then that Conservative MPs are promoting Mr Michael Heseltine and Mr Kenneth Clarke as alternative candidates for the leadership.

Nor following his decision to play a high-profile personal role in both the local and European campaigns can the prime minister credibly deflect opposition attempts to frame the elections as referendum on his leadership.

But among the few things on Mr Major's side are expectations. With most Tory MPs at Westminster discounting abysmal results, an outcome that was merely bad might yet be projected as a relative triumph.

The local elections were last fought in 1990 at the height of the poll tax revolt. The Conservatives were trounced. So it is perfectly possible that the losses this time will be relatively small.

The Eastleigh by-election and the European elections will provide the much tougher test for Mr Major. Tory strategists believe Eastleigh is all but lost to the Liberal Democrats. The European elections evoke the nightmare of renewed infighting between those who cling to the Conservatives' public commitment to a positive role in the European Union and those who want the party to retreat to a nationalist redoubt.

Nor is there any comfort for Mr Major in the likelihood that the outcome of the June 9th poll will be decided on national rather than on European issues. Voters remain unconvinced still of the strength of economic recovery. Elections to the European Parliament provide the ideal vehicle for disgruntled Conservatives to register a mid-term protest. Few British voters care who represents them in Strasbourg. On current projections anything between 10 and 20 of the Tories' 32 seats in the Assembly are vulnerable – mainly but not exclusively to the Liberal Democrats.

If the actual losses are at the more optimistic end of that spectrum, Mr Major's battered premiership may survive the shock waves. But a result at the pessimistic end of the scale could well see an irresistible challenge to his leadership.

Britain in brief

Milk market plan rejected by processors

The dairy sector was plunged into fresh uncertainty when the Dairy Trade Federation announced that it had fundamental objections to the Milk Marketing Board's revised plans for opening the £3.3bn milk market to competition.

The DTF, which represents dairy processing companies, said the amended proposals were "unacceptable" and would not create a free market. Its objections centre on the board's proposed auction system for selling milk. It proposed instead the creation of a "milk forum" representing Milk Marque and prospective buyers under an independent chairmanship.

Mr Andrew Dare, the board's chief executive, rejected the proposal and said it was unlikely to meet EU competition laws or be accepted by the government. "It doesn't open the market up, it's not necessary and it's just an excuse for buyers to be able to continue buying as a cartel," he said. The liberalisation of the milk market in England and Wales has already been put back from this month to November 1 because of government and trade concerns that the board's initial scheme would prove anti-competitive.

Tax 'fails to stem upturn'

Tentative evidence that the pace of UK economic recovery is being maintained in spite of tax rises emerged with figures showing increased consumer borrowing in February.

Further good news for the economy also came with the publication of the most optimistic forecast for construction output since 1989. It had been feared that lending, which fell in January from December's high levels, would continue to decline as the April deadline for the tax rises approached.

The Central Statistical Office said that net lending to consumers rose to a seasonally-adjusted £277m from £235m in January. The February figure was higher than the £250m predicted by economists. It was due mainly to an increase in net lending by finance houses, largely responsible for hire-purchase agreements, to £283m from £255 in January.

The National Council of Building Material Producers, representing companies with a combined annual turnover of more than £30bn, predicted annual rises in the value of UK construction output, measured in constant 1990 prices, of 2 per cent this year and 2.5 per cent in 1995 and also in 1996, led by private-sector housebuilding and better than expected commercial construction.

SES plan for new satellite

SES, the Luxembourg company that owns the Astra television satellite system, said in London that it planned to have 14 more conventional television channels on air by the end of this year.

The new channels will become available if the launch of the fourth Astra satellite scheduled for September or October this year is successful. This will bring the total number of satellite channels available all over Europe on the system to 64.

Painting sale put on hold

British art galleries and museums have until May 31st to raise the £400,000 needed to keep the painting of "St Sebastian succoured by Two Angels" by the 17th century Italian artist Guercino in the UK. The National Heritage Minister Mr Iain Sproat yesterday deferred an export licence on the painting until that date.

The most important work awaiting export is The Three Graces, the marble statue by Canova, bought by the Getty Museum in Malibu California for £7.6m. London's Victoria & Albert Museum has until August 5th to raise the money to keep it in the UK.

Age proof for video rentals

The government is expected to announce that it plans to require children to produce evidence of age before being able to hire videos from rental shops. It is expected to tighten up the conditions under which young children might be able to gain access to videos aimed at those over 15 or 18. At the moment the issue of age tends to be left to shop staff.

هكذا من الاصل

صكنا من الاصل

German hitch in rescue of Lancer Boss

By Andrew Baxter and Andrew Jack in London, and Christopher Parkes in Frankfurt

The receiver of Lancer Boss, the last major UK-owned producer of lift trucks, warned yesterday that efforts to sell the group as a going concern could be delayed if he cannot get control of the company's important German operations.

Mr Allan Griffiths, a partner in Grant Thornton, the accountants, said two prospective UK purchasers of Lancer Boss had already contacted him, but expressed his concern that Steinbock Boss, the UK company's struggling German unit, was in the hands of a German administrator.

Mr Griffiths and Mr Scott Barnes, his colleague, were appointed administrative receivers for Lancer Boss Group, the UK holding company, and certain UK subsidiaries on Friday. This followed a decision by German banks to withdraw support for Steinbock Boss after a disagreement with Lancer Boss over the future direction of the group.

Grant Thornton is now urgently seeking to establish links with the Munich lawyer who has been named as German administrator to establish what powers he has to sell Steinbock Boss. A senior Grant Thornton official was due to fly out last night to meet the lawyer, whom Mr Griffiths named as Herr Fogel.

The UK receivers are keen to co-operate with their German counterpart because Mr Griffiths believes the group is worth more if the UK and German operations are sold as one unit. He is expecting inquiries from prospective foreign purchasers. He admitted it was an "extremely unusual" situation for a UK receiver not to have full control of a company.

It emerged yesterday that the German banking group withdrew support from Steinbock Boss after the company's directors vetoed a deal under which Jungheinrich, the Hamburg based lift truck producer, would have bought the Moosburg-based company.

It is understood that the German banks strongly backed the deal, which would have provided a domestic solution to Steinbock Bock's problems and created a new force in the industry.

Jungheinrich, which claims to be the world's third-largest lift truck maker and the European leader in battery-powered vehicles, said it had been negotiating with Lancer Boss over Steinbock for some time.

In an usually forthright statement for a German company it said it was "astonished" that the British group had not responded to its proposals and that the insolvency of Steinbock had been "accepted".

Jungheinrich indicated that it hoped to reach an agreement for the acquisition of Steinbock Boss from the liquidators some time this week. This would thwart Mr Griffiths' plan to sell the group in one piece.

The German company was also interested in an Austrian subsidiary of Lancer Boss's Moosburg-based operations.

The decision of the German banks was also criticised by National Westminster, one of Lancer Boss' UK banks. "We very much regret the failure of these old customers," it said. "We have given every assistance to the group, but the withdrawal of facilities by their German bankers has left the group with little alternative but to cease to trade."

Accounts highlight challenges facing future owners

Lancer Boss Group is already more than two months late in filing its 1993 accounts, according to documents filed with Companies House, writes Andrew Jack.

The latest financial information available with the government's corporate information agency dates from the year-end to March 31 1992.

However, the 1992 accounts highlight some of the difficulties facing the company and the challenges that will be faced by its receivers.

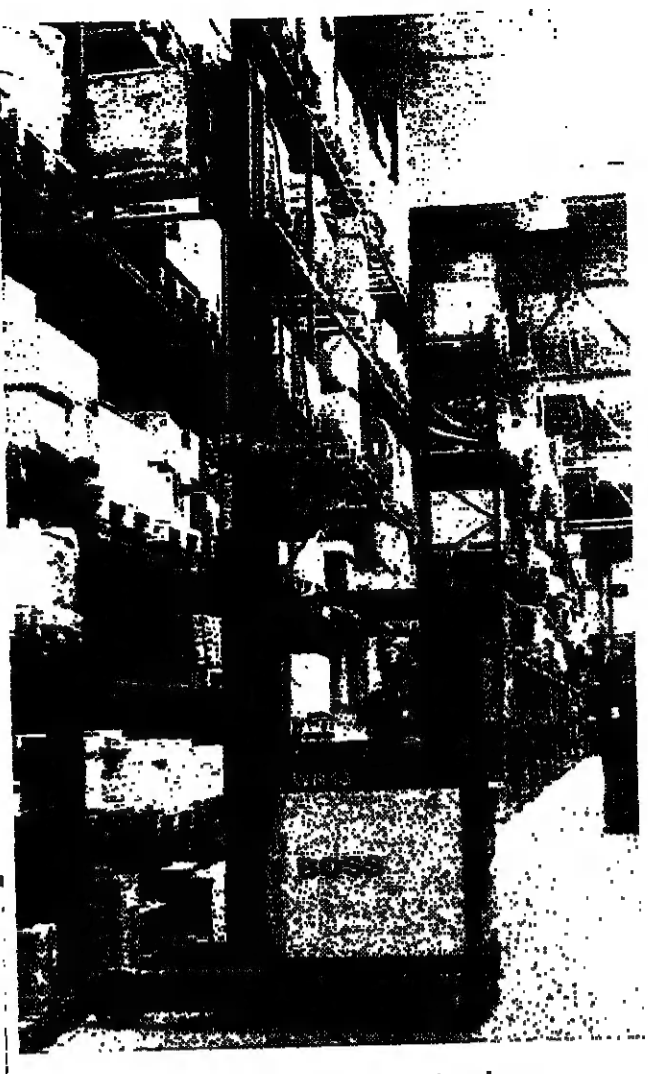
They show the group made losses of £3.1m, against pre-tax profits of £4.4m in the previous year. Operating profits declined substantially from £9.9m to £2.1m in the same period.

Total borrowings at the balance sheet date in 1992 were £32m. However, the proportionately high interest costs of £5.9m suggest borrowings may have been at considerably higher levels earlier during the year.

The chairman's statement says that "a large part" of the company's investments are in DM, while Germany also accounts for a large share of its operations. The German subsidiary's pension fund was only 89 per cent funded during the year, suggesting that the current estimated costs of pensions cannot be covered.

The accounting policies on leasing are confused, while the note on turnover policy is unusual and may allow for considerable flexibility. Turnover is recognised when "final arrangements have been made for shipments."

Sir Neville Bowman Shaw, the chairman, was paid £455,000. All the shares are held by him, his family and trustees on their behalf.



Waiting for a lift: Lancer Boss machinery at work

Clash of insolvency procedures looming

By Andrew Jack

The insolvency procedures in which Lancer Boss has become ensnared have proved confusing and will present challenges to the unravelling of the group.

The administrative receivers to the company at accountants Grant Thornton in the UK yesterday expressed uncertainty about the exact procedure applying to its German subsidiary. In the UK, they are currently preparing a detailed analysis of the company and will then report back to creditors.

Although the subsidiary is only part of the group and is wholly owned by it, German law will apply in clash with English insolvency procedures.

This will prove particularly difficult in any attempt to sell the entire group as a single entity given conflicting interests of accountants, lawyers, creditors and legal procedures.

The German procedure will make full control of the company from the UK impossible. Mr Tony Houghton, insolvency partner with accountants Touche Ross, said yesterday of the situation: "Each jurisdiction looks after its own. Any assets in Germany will be subject to local law. In our experience the German courts are very suspicious of any sort of interference."

Under the German pre-bankruptcy procedure – known as Vergleich – the receiver will have to provide a minimum dividend to creditors of 35 per cent within a year or risk passing into bankruptcy.

Receiver hopes for amicable German link

Andrew Baxter hears a tale of conflicting insolvency laws

Receivers love to be in control. Unfortunately, Mr Allan Griffiths and Mr Scott Barnes have yet to gain full control of Lancer Boss, the UK lift truck company for which they were named administrative receivers on Friday.

That is because a few hours before the partners at Grant Thornton were named receivers for the group and certain UK subsidiaries a German lawyer was appointed as an administrator to Steinbock Boss, the German subsidiary.

As more details emerged of the circumstances behind the Lancer Boss receivership, an extraordinary tale of conflicting insolvency laws between UK and Germany, and of two separate banking groups with very different priorities, is unfolding.

At a press conference Mr Griffiths revealed little of Lancer Boss' financial position yesterday, but some of the puzzles behind the receivership of one of the UK's largest private manufacturing groups are becoming clearer.

Jungheinrich, the large German lift truck producer, revealed earlier yesterday that it had been holding negotiations with Lancer Boss on the future of Steinbock, which has been badly hit by the recession.

It is believed that, originally, negotiations were based on a full-scale link-up between Jungheinrich and Lancer Boss. But, so the receivers believe, it emerged that Jungheinrich wanted only to buy Steinbock. The German banks were keen to pursue a domestic solution for Steinbock's troubles, and strongly backed the deal.

But Steinbock's directors and Sir Neville Bowman-Shaw, Lancer Boss chairman, found such a deal totally unacceptable because it would involve the break-up of the group. In response the German banking group withdrew its support from Steinbock, which had been trading within its banking limits, and the administrator was called in.

This left directors of Lancer Boss in a difficult position, because of what Mr Griffiths called the "interconnectedness" of the UK and German operations. Large sums of money were flowing between Germany and the UK, he said, and there was considerable interchange of products and reciprocal supplies of components.

For this reason, Sir Neville and directors of Lancer Boss decided to ask banks to appoint administrative receivers for the UK operations – to maintain stability while the German administration was sorted out, said Mr Griffiths.

Mr Griffiths is now keen to maintain the links between the UK and German operations because he believes the group would be worth more if both parts were sold in one piece.

He has already received two approaches from potential purchasers in the UK, and said: "To a purchaser, the attraction is to buy both the UK and German operations. In isolation, they are not worth so much."

The problem for Mr Griffiths is that he does not have control of the German operation, and is urgently trying to establish what powers the German administrator has to sell Steinbock. He hopes that Grant Thornton can persuade its German counterpart to co-operate. No inquiries have yet been received from foreign companies, but they are expected.

Meanwhile Mr Grifiths and his team have moved quickly to secure the support of the 770 workers in the UK businesses. Flanked by union representatives at yesterday's press conference, he revealed that he has already announced 19 redundancies, and could not give any guarantees to the remainder.

But he stressed his first concern was to sell Lancer Boss as a going concern with as many jobs preserved as possible. Only if that fails would he consider "Stage Two" – selling the product range without the manufacturing operations in Leighton Buzzard, Bedfordshire, north of London.

MANAGEMENT: THE GROWING BUSINESS

Richard Gourlay looks at how franchising can help companies grow

Bring on the clones

Fergus Wilde

Two that have taken the franchising plunge: Signs Express of Norwich; and Sinclair Beecham and Julian Metcalfe of Prêt à Manger, the London-based sandwich chain

Next weekend thousands of potential businessmen and women will flock to the Spring National Franchise Exhibition at London's Olympia. For many the exhibition may be the first step towards running their own business, be it a fast food franchise, a printing company or a pawnbroker.

But it is also a first step for some of the companies selling franchises. Nearly 50 years after franchising started in the US, there are signs that large and small companies alike recognise its potential for accelerating growth.

The success of chains like McDonald's, Burger King and Holiday Inn is plain to see. Holiday Inn has grown from nowhere to more than 1,500 hotels in 20 years, a growth rate that would have been impossible if all the hotels had been financed by the group.

In the UK franchising has had a slower start. But moves by Securicor Pony Express, the same-day parcel delivery service, Yule Catto, the chemicals company, and a host of smaller companies, demonstrate how franchising is catching on.

Securicor Pony Express leads the same-day market through the 35 branches which it owns; it is also about to sell a similar number of franchises. Tony Mundella, national franchising manager, says Securicor was impressed by the way franchising worked for other parcel delivery groups like Business Post, Amtrak and Interlink Express.

Like many companies attracted to franchising, Securicor wants to involve people who would be more highly motivated than employed managers. An equally powerful motive is the realisation that customers need and demand constantly improving levels of service. "The general feeling is that the well-run franchise will deliver higher degrees of service than an operator-owned outlet," says Sinclair Beecham, managing director of Prêt à Manger, the London sandwich chain that has just begun selling franchises.

Yule Catto became a franchisor for a similar reason. Three years ago its Neilsen car care line was becoming a tired brand. Sales were stagnating, despite extra marketing effort, and the customers were demanding more of a just-in-time service – smaller quantities delivered more frequently.

Yule Catto decided it was too expensive to meet this customer demand with its managed sales force and started converting to a franchised sales team. Each franchisee will buy stock from Yule Catto and sell from seven-tonne trucks, or mobile showrooms, in 75 territories around the UK.

Chris Gater, franchising manager, says Yule Catto had to have deep pockets because converting to franchising is a long-term investment. In the transition, profits have been hit by the continuing overhead of the old sales team, a fall in the value of sales (to give franchisees their margin) and the cost of setting up the franchise infrastructure.

But despite the distractions Neilsen has responded with a 20 per cent increase in sales volume. "It is not easy and it is expensive," he says. "But it will work."

Converting part of the company to franchising is not a decision to be taken lightly. "Franchising is not the easiest way of running a business," says Brian Smart, director of the British Franchising Association.

For one reason, franchising can create a culture clash. Holland & Barrett, the health food chain, took the franchising route in the 1980s but abruptly stopped in 1987. The group is widely seen to have had trouble handling independent franchisees within a culture established to manage corporately-owned shops.

Tie Rack, which has had a mixed franchising record, had similar problems. "When it works it works very well because you have a highly motivated group," says Nigel McGinley, chief executive. But the group could not always control its franchisees and now prefers to open new stores in the UK under its own management.

Such well-documented cases explain why many new franchisors are making only cautious forays into franchising. Prêt à Manger, which owns 17 sandwich shops in London, has decided to roll out its brand across the country, but is testing the formula initially in only four franchises.

"We are holding at that level till we understand the difference between a business managing its own shops and one managing a franchisee," says Beecham, who opened the first shop with chairman Julian Metcalfe in 1986.

Some companies that set out with the intention of building a franchising network from scratch make an equally cautious start. Prontaprint, which started 20 years ago and has 260 high street copier shops, took three years establishing its system and reputation before selling franchises.

Signs Express, a Norwich-based sign maker, followed a similar route. David Corbett, managing director, says the company slugged it out for three years from one shop against 59 local competitors before selling the first franchise last year. He sold 11 franchises by the end of the second year, wants 40 at the end of this year and plans on 70 by the end of the fourth year.

Marks and Spencer, which has 74 franchises overseas, uses the system as a way of testing new markets. But for smaller companies, the main reason for becoming a franchisor is to finance a faster rate of growth.

As such the growing company does not have to buy or lease new outlets or finance inventory. It also gains from bulk buying of products, services and advertising, and has lower head office overheads; it needs no distribution system and has no sales force to manage.

Martin Mendelsohn, partner at solicitors *Jaques & Lewis*, believes many more companies could consider franchising. "As a rule of thumb any business that has the potential of being run under management has the potential of being run as a franchise," he says.

The reason more do not follow this route is a lack of understanding of how to set up a franchise infrastructure, Mendelsohn suggests. "You are asking the franchisee to set up a business as an independent business but you are asking them to run it within a controlled environment. It is a conflict situation." Visitors to Olympia would do well to remember that message.

Seeking credibility for quality standards

Is the process of certifying companies with the UK's BS5750 quality assurance standard and its international equivalent, ISO9000, losing its credibility?

The European Commission is concerned that too many companies see certification as an end in itself rather than a step towards improving quality and is seeking support for the idea that improving competitiveness, not awarding certificates, is what matters. Brussels' interest will be welcomed by many smaller companies.

In little over a decade, BS5750 has been adopted by more than 28,000 companies. Over 30 bodies are now qualified to issue certificates, including the British Standards Institution which drew up the standard. Countless consultants help companies to prepare and maintain their certification. Yet despite being designed to improve British industrial competitiveness, the standard has become a nightmare for many small and medium-sized enterprises.

Critics say it is expensive, bureaucratic, and difficult to set up and maintain. Some complain that while it was designed for manufacturers, the standard lacks relevance for many smaller companies which are providers of services.

This said, there are many companies that have adopted the standards and successfully used the certification structure as part of a quality improvement programme. For them certification is a step towards Total Quality Management, the approach that focuses all an organisation's efforts on what the customer wants.

But the critics say there are many other companies which have been peddled an inappropriate standard by self-interested consultants and certification bodies. Others, they say, have bought into certification solely to avoid being dropped from a supplier's preferred list or so they can claim to be "quality" companies for marketing purposes.

Jacques McMillan, head of the Commission unit in Directorate-General 111 in charge of quality policy and certification, says: "There are many enterprises going bust where the last flag as they go under is their certificate. I am trying to put it back in perspective so those companies that actually need it should go for it and those that don't shouldn't. It should not be thrust down the throats of small and medium-sized companies."

These forthright views appear to have been sanitised in the paper called Elements of Community Quality Policy, now circulating member states. But McMillan hopes ministers late this year will look at the issue again in the context of examining ways to increase Europe's competitiveness.

The Commission's move has received a guarded welcome from the Brussels-based European Foundation for Quality Management, set up six years ago by 14 captains of European industry, including Sir Iain Vallance, chairman of BT. "I welcome the Commission coming out with the beginnings of a quality strategy for Europe," said John King, EFQM director-general.

"But the major challenge is getting the message to the senior management of European businesses that they have to be committed to quality policies and not simply satisfied with product certification as represented by BS5750 and ISO9000," he said.

Critics say that quality assurance standards often do little more than document existing procedures against which the company is subsequently checked. A uniformity of process is achieved, but one that might be leading to uniformly poor quality products. Only if management decides to focus on quality issues is there any chance they will improve.

Certification has been abused – or mistrusted – by some larger companies as well. McMillan says there are cases where large manufacturers are demanding certification from suppliers but continue to insist on doing their own quality audits, too.

Some companies use certification as an arbitrary way of cutting down their supplier lists. This also undermines the value of the certificates awarded to companies that are genuinely seeking to improve their competitiveness through better quality.

Some US companies that have reluctantly adopted the ISO9000 standard have done so because they feel that without certification they will be barred entry to European Union markets.

Faced with uncertainty about who should seek certification, some companies may have fallen prey to certification salesmen. "They [companies] are not being helped by the certification environment," says McMillan.

"It is a lucrative environment for consultants and certifiers. If there is no coherent policy it is difficult for some to know what to do because they are hearing so many different voices."

In the UK there is some hope of a helping hand through the maze. The BSI will this week unveil a scheme it says will make BS5750 registration simpler and cheaper.

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